BANCOLOMBIA SA
Form 20-F
June 11, 2010

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 11, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 20-F

(Mark One)

¨ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to__________

OR

¨ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report___________

Commission file number: 001-32535

BANCOLOMBIA S.A.
(Exact name of Registrant as specified in its charter)
N/A
(Translation of Registrant's name into English)
Republic of Colombia
(Jurisdiction of incorporation or organization)
Carrera 48 # 26-85, Avenida Los Industriales
Medellín, Colombia
(Address of principal executive offices)
Juan Esteban Toro Valencia, Investor Relations Manager
Carrera 48 # 26-85, Medellín, Colombia
Tel. +5744041837, Fax. + 574 4045146, e-mail: juatoro@bancolombia.com
(Name, Telephone, E-Mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registeredpursuant to Section 12(b) of the Act.

Title of each Class	Name of each exchange on which registered
American Depositary Shares	New York Stock Exchange
Preferred Shares	New York Stock Exchange*

*Bancolombia's preferred shares are not listed for trading directly, but only in connection with its American

Depositary Shares, which are evidenced by American Depositary Receipts, each representing four preferred shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act.
Not applicable
(Title of Class)
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
Not applicable
(Title of Class)
Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the
period covered by the annual report.

Common Shares	509,704,584
Preferred Shares	278,122,419

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes x No ¨

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to
Section 13 of 15(d) of the Securities Exchange Act of 1934
Yes ¨ Nox

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports),
and (2) has been subject to such filing requirements for the past 90 days.
Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ¨ No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP	International Financial Reporting Standards as issued by the International Accounting Standards Board	Other x

If "Other" has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow.
Item 17 ¨ Item 18 x

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS.)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes ¨ No ¨

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CERTAIN DEFINED TERMS

Unless otherwise specified or if the context so requires, in this annual report:

References to “ADSs” refer to our American Depositary Shares (one ADS represents four preferred share),

References to the “Annual Report” refer to this annual report on Form 20-F.

References to “Banagrícola” refer to Banagrícola S.A., a company incorporated in Panamá and authorized to operate as a bank holding company under the laws of the Republic of El Salvador, including its subsidiaries on a consolidated basis, unless otherwise indicated or the context otherwise requires.

References to “Banca de Inversión” refer to Banca de Inversión Bancolombia S.A. Corporación Financiera, a Subsidiary of Bancolombia S.A. organized under the laws of the Republic of Colombia that specializes in providing investment banking services

References to “Banco Agrícola” refer to Banco Agrícola S.A., a banking institution organized under the laws of the Republic of El Salvador, including its subsidiaries on a consolidated basis, unless otherwise indicated or the context otherwise requires.

References to “Bancolombia”, the “Bank”, “us” , “we” or “our” refer to Bancolombia S.A., a banking institution organiz under the laws of the Republic of Colombia, which may also act under the name of Banco de Colombia S.A., including its Subsidiaries on a consolidated basis, unless otherwise indicated or the context otherwise requires.

References to “Bancolombia Panamá” refer to Bancolombia Panamá S.A., a Subsidiary of Bancolombia organized under the laws of the Republic of Panama that provides a complete line of banking services mainly to Colombian customers.

References to “Central Bank” refer to the Central Bank of Colombia.

References to “Colombia” refer to the Republic of Colombia.

References to “Conavi” refer to Conavi Banco Comercial y de Ahorros S.A. as it existed immediately before the Conavi/Corfinsura merger (as defined below).

References to the “Conavi/Corfinsura merger” refer to the merger of Conavi and Corfinsura with and into Bancolombia, with Bancolombia as the surviving entity, which took effect on July 30, 2005 pursuant to a Merger Agreement dated February 28, 2005.

References to “Corfinsura” refer to Corporación Financiera Nacional y Suramericana S.A., as it existed immediately before the Conavi/Corfinsura merger, taking into account the effect of its spin-off of a portion of its investment portfolio effective July 29, 2005.

References to “DTF” refer to the Depósitos a Término Fijo rate, the weighted average interest rate paid by finance corporations, commercial banks and commercial finance companies in Colombia for certificates of deposit with maturities of 90 days.

References to “Factoring Bancolombia” refer to Factoring Bancolombia S.A., a Subsidiary of Bancolombia organized under the laws of the Republic of Colombia that specializes in accounts receivable financing.

References to “Fiduciaria Bancolombia” refer to Fiduciaria Bancolombia S.A., a Subsidiary of Bancolombia which is the largest fund manager among its peers, including other fund managers and brokerage firms in Colombia.

References to “Leasing Bancolombia” refer to Leasing Bancolombia S.A. Compañía de Financialmiento Comercial, a Subsidiary of Bancolombia organized under the laws of the Republic of Colombia that specializes in leasing activities, offering a wide range of financial leases, operating leases, loans, time deposits and bonds.

References to “preferred shares” and “common shares” refer to our authorized preferred and common shares, designated as acciones preferencialesand acciones ordinarias, respectively.

References to “Renting Colombia” refer to Renting Colombia S.A., a Subsidiary of Bancolombia which provides operating lease and fleet management services for individuals and companies.

References to “Representative Market Rate” refer to Tasa Representativa del Mercado , the U.S. dollar representative market rate, certified by the Superintendency of Finance. The Representative Market Rate is an economic indicator of the daily exchange rate on the Colombian market spot of currencies. It corresponds to the arithmetical weighted average of the rates of purchase and sale of currencies of interbank transactions of the authorized intermediaries.

References to “SMEs” refer to Small and Medium Enterprises.

References to “SMMLV” refer to Salario Mínimo Mensual Legal Vigente, the effective legal minimum monthly salary in Colombia.

References to “peso”, “pesos” or “COP” refer to the lawful currency of Colombia.

References to “Subsidiaries” refer to subsidiaries of Bancolombia in which Bancolombia holds, directly or indirectly, 50% or more of the outstanding voting shares.

References to “Superintendency of Finance” refer to the Colombian Superintendency of Finance (Superintendencia Financiera de Colombia), a technical entity under the Ministry of Finance and Public Credit holding the inspection, supervision and control over the persons involved in financial activities, stock market, insurance and any other related to the management, use or investment of resources collected from the public.

References to “U.S.” or “United States” refer to the United States of America.

References to “U.S. dollar”, “U.S. dollars”, and “US$” refer to the lawful currency of the United States.

References to “UVR” refer to Unidades de Valor Real, a Colombian inflation-adjusted monetary index calculated by the board of directors of the Central Bank and generally used for pricing home-mortgage loans.

References to “Valores Bancolombia” refer to Valores Bancolombia S.A. Comisionista de Bolsa, a Subsidiary of Bancolombia organized under the laws of the Republic of Colombia that provides brokerage and asset management services to over 200,000 clients.

The term “billion” means one thousand million (1,000,000,000).

The term “trillion” means one million million (1,000,000,000,000).

Our fiscal year ends on December 31, and references in this annual report to any specific fiscal year are to the twelve-month period ended December 31 of such year.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains statements which may constitute forward-looking statements within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements are not based on historical facts but instead represent only the Bank's belief regarding future events, many of which, by their nature, are inherently uncertain and outside the Bank's control. The words "anticipate", "believe", "estimate", "expect" "intend", "plan", "predict", "target", "forecast", "guideline", "should", "project" and similar words and expressions, are in identify forward-looking statements. It is possible that the Bank's actual results may differ, possibly materially, from the anticipated results indicated in these forward-looking statements.

Information regarding important factors that could cause actual results to differ, perhaps materially, from those in the Bank's forward-looking statements appear in a number of places in this Annual Report, principally in "Item 3. Key Information – D. Risk Factors" and "Item 5. Operating and Financial Review and Prospects", and include, but are not limited to: (i) changes in general economic, business, political, social, fiscal or other conditions in Colombia, or in any of the other countries where the Bank operates; (ii) changes in capital markets or in markets in general that may affect policies or attitudes towards lending; (iii) unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms; (iv) inflation, changes in foreign exchange rates and/or interest rates; (v) sovereign risks; (vi) liquidity risks; (vii) increases in defaults by the Bank's borrowers and other loan delinquencies; (viii) lack of acceptance of new products or services by the Bank's targeted customers; (ix) competition in the banking, financial services, credit card services, insurance, asset management, remittances, business and other industries in which the Bank operates; (x) adverse determination of legal or regulatory disputes or proceedings; (xi) changes in official regulations and the Colombian government's banking policy as well as changes in laws, regulations or policies in the jurisdictions in which the Bank does business; (xii) regulatory issues relating to acquisitions; and (xiii) changes in business strategy.

Forward-looking statements speak only as of the date they are made and are subject to change, and the Bank does not intend, and does not assume any obligation, to update these forward-looking statements in light of new information or future events arising after the date of this Annual Report.

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Accounting Principles

The accounting practices used in the preparation of the Bank's consolidated financial statements follow the special regulations of the Superintendencia Financiera de Colombia (the "Superintendency of Finance") and generally accepted accounting principles in Colombia (collectively, "Colombian GAAP"). Together, these requirements differ in certain significant respects from generally accepted accounting principles in the United States ("U.S. GAAP"). Note 31 to the Bank's audited consolidated financial statements included in this Annual Report provides a description of the principal differences between Colombian GAAP and U.S. GAAP as they relate to the Bank's audited consolidated financial statements and provides a reconciliation of net income and stockholders' equity for the years and dates indicated herein. References to Colombian GAAP in this Annual Report are to Colombian GAAP as supplemented by the applicable regulations of the Superintendency of Finance.

For consolidation purposes under Colombian GAAP, financial statements of the Bank and its Subsidiaries must be prepared under uniform accounting policies. In order to comply with this requirement, financial statements of foreign Subsidiaries were adjusted as required by Colombian regulations.

For 2009, the Bank's consolidated financial statements include companies in which it holds, directly or indirectly, 50% or more of outstanding voting shares. The Bank consolidates directly Leasing Bancolombia, Fiduciaria Bancolombia, Banca de Inversión, Sufinanciamiento, Bancolombia Puerto Rico Internacional, Inc., Patrimonio Autónomo Sufinanciamiento, Bancolombia Panamá, Valores Bancolombia and Factoring Bancolombia. As described below, some of the Bank's Subsidiaries also consolidate their own subsidiaries. Bancolombia Panamá consolidates Bancolombia Cayman S.A., Sistema de Inversiones y Negocios S.A., Sinesa Holding Company Limited, Future Net S.A., Suleasing International USA Inc. and Banagrícola (which, in turn, consolidates Banco Agrícola Panamá S.A, Inversiones Financieras Banco Agrícola S.A., Banco Agrícola, Arrendadora Financiera S.A., Credibac S.A. de C.V., Bursabac S.A. de C.V., AFP Crecer S.A., Aseguradora Suiza Salvadoreña S.A. and Asesuisa Vida S.A.). Banca de Inversión consolidates with Inmobiliaria Bancol S.A., Valores Simesa S.A., Inversiones CFNS Ltda., Todo Uno Colombia S.A. and Inversiones Valores y Logística S.A. The Bank's Subsidiary Leasing Bancolombia consolidates Leasing Perú, Renting Colombia (which, in turn, consolidates Renting Perú S.A.C., Capital Investments SAFI S.A., Fondo de Inversión en Arrendamiento Operativo Renting Perú, Transportes Empresariales de Occidente Ltda. and RC Rent a Car S.A.). The Bank's Subsidiary Valores Bancolombia consolidates Suvalor Panamá S.A and Suvalor Panamá Fondo de inversión and the Bank's Subsidiary Fiduciaria Bancolombia consolidates Fiduciaria GBC S.A.

Currencies

The Bank maintains accounting records in Colombian pesos. The audited consolidated financial statements of Bancolombia S.A. for the years ended December 31, 2007, 2008 and 2009 (collectively, including the notes thereto, the "Financial Statements") contained in this Annual Report are expressed in pesos.

This Annual Report translates certain peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise indicated, such peso amounts have been translated at the rate of COP 2,044.23 per US$ 1.00, which corresponds to the Representative Market Rate calculated on December 31, 2009 the last business day of the year. The Representative Market Rate is computed and certified by the Superintendency of Finance, the Colombian banking regulator, on a daily basis and represents the weighted average of the buy/sell foreign exchange rates negotiated on the previous day by certain financial institutions authorized to engage in foreign exchange transactions (including Bancolombia S.A.). The Superintendency of Finance also calculates and certifies the average Representative Market Rate for each month for purposes of preparing financial statements and converting amounts in foreign currency to Colombian pesos. Such conversion should not be construed as a representation that the peso amounts correspond to, or have been or could be converted into, U.S. dollars at that rate or any other rate. On May 25, 2010, the Representative Market Rate was COP 1,989.51 per US$ 1.00.

Rounding Comparability of Data

Certain monetary amounts, percentages and other figures included in this Annual Report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

Information included on or accessible through Bancolombia's internet site is not part of this Annual Report

This Annual Report refers to certain websites as sources for certain information contained herein. Information contained in or otherwise accessible through these websites is not a part of this Annual Report. All references in this Annual Report to these and other internet sites are inactive textual references to these URLs, or "uniform resource locators", and are for your informational reference only.

The Bank maintains an internet site at www.grupobancolombia.com. In addition, certain of the Bank's Subsidiaries referred to in this Annual Report maintain separate internet sites. For example, Banco Agrícola maintains an internet site at www.bancoagricola.com.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. SELECTED FINANCIAL DATA

The selected consolidated financial data as of December 31, 2009 and 2008, and for each of the three fiscal years in the period ended December 31, 2009 set forth below has been derived from the Bank's audited consolidated financial statements included in this Annual Report. The selected consolidated financial data as of December 31, 2007, 2006 and 2005, and for each of the two fiscal years in the period ended December 31, 2005 set forth below have been derived from the Bank's audited consolidated financial statements for the respective periods, which are not included herein.

The Bank's consolidated financial statements for each period were prepared in accordance with Colombian GAAP.

The selected consolidated financial data should be read in conjunction with the Bank's consolidated financial statements, related notes thereto, and the reports of the Bank's independent registered public accounting firms.

	As of and for the year ended December 31,					
	2009 (1)	2009	2008	2007 (10) (11)	2006	2005
	(in millions of COP and thousands of US$ (1) , except per share and per American Depositary Share (' amounts)					
CONSOLIDATED STATEMENT OF OPERATIONS:						
Colombian GAAP:						
Interest income	US$ 3,144,313	COP 6,427,698	COP 6,313,743	COP 4,810,408	COP 3,013,732	COP 3,
Interest expense	(1,284,306)	(2,625,416)	(2,753,341)	(2,002,090)	(1,246,229)	(1,
Net interest income	1,860,007	3,802,282	3,560,402	2,808,318	1,767,503	2,
Provisions for loans and accrued interest losses, net of recoveries (2)	(539,859)	(1,103,595)	(1,155,262)	(617,868)	(195,361)	(
Provision for foreclosed assets and other assets, net of recoveries (3)	(24,351)	(49,779)	22,095	20,833	45,179	
Net interest income after provisions	1,295,797	2,648,908	2,427,235	2,211,283	1,617,321	1,
Fees and income from services and other operating income, net (4)	923,061	1,886,949	1,964,084	1,510,129	1,139,094	
Operating expenses	(1,416,252)	(2,895,145)	(2,639,997)	(2,271,418)	(1,871,000)	(1,
Net operating income	802,606	1,640,712	1,751,322	1,449,994	885,415	1,
Net non-operating income excluding minority interest	45,607	93,232	31,888	12,058	45,346	
Minority interest (loss)	(7,377)	(15,081)	(18,511)	(13,246)	(6,352)	
Income before income taxes	840,836	1,718,863	1,764,699	1,448,806	924,409	1,
Income taxes	(226,008)	(462,013)	(474,056)	(361,883)	(174,880)	(
Net income	US$ 614,828	COP 1,256,850	COP 1,290,643	COP 1,086,923	COP 749,529	COP
Weighted average of Preferred andCommon Shares outstanding (5)		787,827,003	787,827,003	758,313,771	727,827,005	652,
Basic and Diluted net income per	0,78	1,595	1,638	1,433	1,030	

share (5)											
Basic and Diluted net income per ADS (12)		3,12		6,380		6,552		5,732		4,119	
Cash dividends declared per share (6)				637		624		568		532	
Cash dividends declared per share (6) (stated in U.S. Dollars)				0,31		0,28		0,28		0,24	
Cash dividends declared per ADS				2,547		2,496		2,272		2,128	
Cash dividends declared per ADS (stated in U.S. Dollars)				1,25		1,11		1,13		0,95	
U.S. GAAP:(7)											
Net income	US$	560,837	COP	1,146,480	COP	849,920	COP	1,015,644	COP	941,183	COP
Basic and Diluted net income per common share (8)		0.71		1,455		1,326		1,683		1,619	
Basic and Diluted net income per ADS (8) (12)		2.84		5,820		5,304		6,732		6,476	

(1) Amounts stated in U.S dollars have been translated at the rate of COP 2,044.23 per US$ 1.00, which is the Representative Market Rate calculated on December 31, 2009 (the last business day of 2009), as reported and certified by the Superintendency of Finance. Such translations should not be construed as representations that the pesos amounts represent, or have been or could be converted into, United States dollars at that or any other rate.

(2) Represents the provision for loan, accrued interest losses and other receivables, net and recovery of charged-off loans. Includes a provision for accrued interest losses amounting to COP 12,379 million, COP 14,825 million, COP 35,543 million, COP 58,721 million and COP 46,840 million for the years ended December 31, 2005, 2006, 2007, 2008 and 2009, respectively.

(3) Represents the provision for foreclosed assets and other assets and the recovery of provisions for foreclosed assets and other assets.

(4) Represents the total fees and income from services, net and total other operating income.

(5) The weighted average of preferred and common shares outstanding for fiscal year 2005, include 198,261,641 preferred shares and 454,621,115 common shares. For fiscal year 2006, it included 218,122,419 preferred shares and 509,704,584 common shares. For fiscal year 2007, it included 253,300,502 preferred shares and 509,704,584 common shares. For fiscal years 2008 and 2009, it included 218,122,419 preferred shares and 509,704,584.

(6) This data is presented on an annualized basis.

(7) See “Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP” to our Financial Statements included in this Annual Report.

(8) Under U.S. GAAP, these shares are considered outstanding since the beginning of the earliest period presented. Net income per share under U.S. GAAP is presented on the basis of net income available to common stockholders divided by the weighted average number of common shares outstanding (198,261,641 preferred shares and 454,621,115 common shares for 2005; 509,704,584 for 2006, 2007, 2008 and 2009). See “Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP”.

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(9) The consolidated statement of operations for the year ended December 31, 2005, includes Conavi and Corfinsura's results since the beginning of the year. For U.S. GAAP purposes, see "Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP – m) Business combinations" to our Financial Statements included in this Annual Report.

(10) The consolidated statement of operations for the year ended December 31, 2007 includes Banagrícola's results since the beginning of the year. For U.S. GAAP purposes, see "Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP – m) Business combinations" to our Financial Statements included in this Annual Report.

(11) The consolidated statement of operations for the year ended on December 2007 was modified due to reclassifications made particularly in commissions from banking services and other services, administrative and other expenses and other income, with the purpose of better presenting comparative information regarding the gains on the sale of mortgage loans. The selected financial data for year 2006 has not been reclassified to the 2008 presentation because the amounts are insignificant and do not have a material impact on the consolidated statement of operations for each of the respective years.

(12) Basic and diluted net income per ADS for any period is defined as basic and diluted net income per share multiplied by four as each ADS is equivalent to four preferred shares of Bancolombia. Basic and diluted net income per ADS should not be considered in isolation, or as a substitute for net income, as a measure of operating performance or as a substitute for cash flows from operations or as a measure of liquidity. Each ADS is equivalent to four preferred shares of Bancolombia.

	As of and for the year ended December 31,					
	2009 (1)	2009	2008	2007 (4)	2006	2005 (3)
	(in millions of COP and thousands of US$ (1) , except per share and per American Depositary Share ("ADS") amounts)					
CONSOLIDATED BALANCE SHEET						
Colombian GAAP:						
Assets:						
Cash and due from banks	US$ 2,437,871	COP 4,983,569	COP 3,870,927	COP 3,618,619	COP 1,548,752	COP 1,241,43
Overnight funds	1,168,552	2,388,790	1,748,648	1,609,768	457,614	488,58
Investment securities, net	4,361,013	8,914,913	7,278,276	5,774,251	5,677,761	8,459,70
Loans and financial leases, net	19,376,639	39,610,307	42,508,210	36,245,473	23,811,391	17,920,37
Accrued interest receivable on loans, net	165,639	338,605	505,658	398,560	255,290	198,26
Customers' acceptances and derivatives	100,462	205,367	272,458	196,001	166,395	133,42
Accounts receivable, net	394,713	806,885	828,817	716,106	562,598	590,31
Premises and equipment, net	485,288	992,041	1,171,117	855,818	712,722	623,72
Operating leases, net	412,407	843,054	726,262	488,333	167,307	143,97
Foreclosed assets, net	39,461	80,668	24,653	32,294	18,611	31,36
Prepaid expenses and deferred charges	90,895	185,811	132,881	137,901	46,462	26,89
Goodwill	418,605	855,724	1,008,639	977,095	40,164	50,95
Other assets	451,156	922,265	1,093,850	580,642	675,265	563,58
Reappraisal of assets	360,217	736,366	612,683	520,788	348,364	330,91
Total assets	US$ 30,262,918	COP 61,864,365	COP 61,783,079	COP 52,151,649	COP 34,488,696	COP 30,803,51
Liabilities and stockholders' equity:						
Deposits	US$ 20,618,683	COP 42,149,330	COP 40,384,400	COP 34,374,150	COP 23,216,467	COP 18,384,98
Borrowings (5)	1,975,878	4,039,150	5,947,925	4,851,246	3,516,426	3,927,55
Other liabilities	4,228,025	8,643,056	9,333,909	7,726,983	4,109,191	5,113,69
Stockholders' equity	3,440,332	7,032,829	6,116,845	5,199,270	3,646,612	3,377,29
	US$ 30,262,918	COP 61,864,365	COP	COP 52,151,649	COP 34,488,696	COP 30,803,51

Total liabilities and stockholders' equity						61,783,079						
U.S. GAAP: (2)												
Stockholders' equity	US$	3,470,875	COP	7,095,266	COP	6,422,815	COP	5,937,554	COP	4,549,018	COP	4,125,99
Stockholders' equity per share (6)		4.41		9,006		8,153		7,830		6,250		6,32
Stockholders' equity per ADS (6)		17.64		36,024		32,612		31,320		25,001		25,28

(1) Amounts stated in U.S. dollars have been converted at the rate of COP 2,044.23 per US$ 1.00, which is the Representative Market Rate calculated on December 31, 2009 (the last business day of 2009) as reported and certified by the Superintendency of Finance.

(2) Refer to "Note 31, Differences between Colombian Accounting Principles for Banks and U.S. GAAP" to the Financial Statements included in this Annual Report for the reconciliation to U.S. GAAP.

(3) The consolidated balance sheet for the year ended December 31, 2005, includes Conavi and Corfinsura's results. For U.S. GAAP purposes, see "Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP – m) Business combinations".

(4) The consolidated statement of operations for the year ended December 31, 2007 includes Banagrícola's results. For U.S. GAAP purposes, see "Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP – m) Business combinations".

(5) Includes interbank borrowing and domestic development banks borrowings and other.

(6) The weighted average (rounded to the nearest million) of preferred and common shares outstanding was 653 million for the fiscal year ended December 31, 2005, 728 million for the fiscal year ended December 31, 2006, 758 million for the fiscal year ended December 31, 2007, 788 million for the fiscal year ended December 31, 2008 and 2009. Stockholders' equity per share is equal to Stockholders' equity under U.S. GAAP divided by the weighted average of preferred and common shares outstanding,. Stockholders' equity per ADS is equal to stockholders' equity per share multiplied by four preferred shares of Bancolombia (Each ADS is equivalent to four preferred shares of Bancolombia). Stockholders' equity per ADS should not be considered in isolation, or as a substitute for net income, as a measure of operating performance or as a substitute for cash flows from operations or as a measure of liquidity.

See “Item 8. Financial Information – A. Consolidated Statements and Other Financial Information – A.3. Dividend Policy”, for information about the dividends declared per share in both pesos and U.S. dollars during the fiscal years ended in December 31, 2009, 2008, 2007, 2006 and 2005.

Differences Between Colombian and U.S. GAAP Results

The Bank’s consolidated financial statements have been prepared in accordance with Colombian GAAP, which are the accounting principles and policies that are summarized in “Note 2, Summary of Significant Accounting Policies” to the Bank’s Financial Statements included in this Annual Report. These accounting principles and policies differ in some significant respects from U.S. GAAP. A reconciliation of net income and stockholders’ equity under U.S. GAAP is included in “Note 31, Differences between Colombian Accounting Principles for Banks and U.S. GAAP” to the Financial Statements included in this Annual Report.

Consolidated net income under U.S. GAAP for the year ended December 31, 2009 was COP 1,146,480 million (compared with COP 849,920 million for fiscal year 2008 and COP 1,015,644 million for fiscal year 2007). The difference in some significant adjustments between Colombian and U.S. GAAP results are described in “Note 31, Differences between Colombian Accounting Principles for Banks and U.S. GAAP” – to the Financial Statements included in this Annual Report.

	As of and for the year ended December 31,				
	2009	2008	2007 (11)(12)	2006	2005 (10)
	(Percentages, except for operating data)				
SELECTED RATIOS: (1)					
Colombian GAAP:					
Profitability ratios:					
Net interest margin (2)	7.22	7.70	7.60	6.19	8.12
Return on average total assets (3)	2.01	2.34	2.52	2.31	3.30
Return on average stockholders' equity (4)	19.59	23.68	26.13	22.10	31.49
Efficiency Ratio:					
Operating expenses as a percentage of interest, fees, services and other operating income	50.89	47.79	52.60	64.37	54.94
Capital ratios:					
Period-end stockholders' equity as a percentage of period-end total assets	11.37	9.90	9.97	10.57	10.96
Period-end regulatory capital as a percentage of period-end risk- weighted assets (5)	13.23	11.24	12.67	11.05	10.93
Credit quality data:					
Non-performing loans as a percentage of total loans (6)	2.44	2.35	1.77	1.36	1.48
"C", "D" and "E" loans as a percentage of total loans (9)	5.11	4.40	3.10	2.54	3.38
Allowance for loan and accrued interest losses as a percentage of non-performing loans (10)	241.08	224.53	223.67	252.87	259.02
Allowance for loan and accrued interest losses as a percentage of "C", "D" and "E" loans (9)	115.25	120.21	127.38	135.06	113.59
Allowance for loan and accrued interest losses as a percentage of total loans	5.89	5.29	3.95	3.43	3.84
OPERATING DATA:					
Number of branches (7)	889	890	888	701	678
Number of employees (8)	21,201	19,728	24,836	16,222	14,562

(1) Ratios were calculated on the basis of monthly averages.

(2) Net interest income divided by average interest-earning assets.

(3) Net income divided by average total assets.

(4) Net income divided by average stockholders' equity.

(5) For an explanation of risk-weighted assets and Technical Capital, see "Item 4. Information on the Company – B. Business Overview – B.7. Supervision and Regulation – Capital Adequacy Requirements".

(6) Non-performing loans are microcredit loans that are past due 30 days or more, mortgage and consumer loans that are past due 60 days or more and commercial loans that are past due 90 days or more. (Each category includes financial leases).

(7) Number of branches includes branches of the Bank's Subsidiaries.

(8) The number of employees includes employees of the Bank's consolidated Subsidiaries.

(9) See "Item 4. Information on the Company – E. Selected Statistical Information – E.3. Loan Portfolio – Classication of the loan portfolio and Credit Categories for a description of "C", "D" and "E" Loans".

(10)

Selected ratios for the year ended December 31, 2005, include Conavi and Corfinsura's results. For U.S. GAAP purposes, see "Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP – m) Business combinations".

(11) Selected ratios for the year ended December 31, 2007 include Banagrícola's results. For U.S. GAAP purposes, see "Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP – m) Business combinations".

(12) The selected ratios for the year 2007 were modified to reflect certain reclassifications made in commissions from banking services and other services, administrative and other expenses and other income that conform to the presentation of 2008 figures, in order to provide a better basis of comparison with respect to 2008 figures regarding the gains on the sale of mortgage loans. No such changes were made for 2006, as the reclassifications would not have a material impact on the figures for that period, and accordingly, would not be material for comparative purposes.

Exchange Rates

On May 31, 2010, the Representative Market Rate was Ps 1,971.55 per $1.00. The Federal Reserve Bank of New York does not report a rate for pesos; the Superintendency of Finance calculates the Representative Market Rate based on the weight average of the buy/sell foreign exchange rates quoted daily by certain financial institutions, including BC, for the purchase and sale of U.S. dollars.

The following table sets forth the high and low Peso/U.S. dollar exchange rates for the last six months:

Recent exchange rates of U.S. Dollars per Peso;

Month	Low	High
December 2009	1,989.94	2,054.10
January 2010	1,957.82	2,044.23
February 2010	1,914.87	2,003.76
March 2010	1,888.05	1,934.21
April 2010	1,911.07	1,973.05
May 2010	1,950.44	2,029.54

The following table sets forth the average peso/U.S. dollar Representative Market Rate for each of the five most recent financial years, calculated by using the average of the exchange rates on the last day of each month during the period.

	Peso/US$ 1.00 Representative Market Rate
Period	Average
2009	2,179.64
2008	1,993.80
2007	2,069.21
2006	2,359.13
2005	2,320.77

Source: Superintendency of Finance.

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

Investors should consider the following risks and uncertainties, and the other information presented in this Annual Report. In addition, the factors referred to below, as well as all other information presented in this Annual Report, should be considered by investors when reviewing any forward-looking statements contained in this Annual Report, in any document incorporated by reference in this Annual Report, in any of the Bank's future public filings or press releases, or in any future oral statements made by the Bank or any of its officers or other persons acting on its behalf. If any of the following risks occur, the Bank's business, results of operations and financial condition, its ability to raise capital and its ability to access funding could be materially and adversely affected. These risk factors should not be considered a complete list of potential risks that may affect Bancolombia.

Risk Factors Relating to Colombia and Other Countries Where the Bank Operates

Changes in economic and political conditions in Colombia and El Salvador or in the other countries where the Bank operates may adversely affect the Bank's financial condition and results of operations.

The Bank's financial condition, results of operations and asset quality are significantly dependent on the macroeconomic and political conditions prevailing in Colombia, El Salvador and the other jurisdictions in which the Bank operates. Accordingly, decreases in the growth rate, periods of negative growth, increases in inflation, changes in policy, or future judicial interpretations of policies involving exchange controls and other matters such as (but not limited to) currency depreciation, inflation, interest rates, taxation, banking laws and regulations and other political or economic developments in or affecting Colombia, El Salvador or the other jurisdictions where the Bank operates may affect the overall business environment and may in turn impact the Bank's financial condition and results of operations.

In particular, the governments of Colombia and El Salvador have historically exercised substantial influence on each other's economies, and their policies are likely to continue to have an important effect on Colombian and Salvadorian entities (including the Bank), market conditions, prices and rates of return on securities of local issuers (including the Bank's securities). On June 1, 2009, a member of the FMLN party took office as President of El Salvador after 20 years of rule by the ARENA party and, accordingly, significant changes in Salvadorian laws, public policies and regulations could occur. In May 2010, Presidential elections will be held in Colombia. The uncertainties characteristic of a change in government, including potential changes in laws, public policies and regulations, may cause instability and volatility in Colombia and its markets.

Future developments in government policies could impair the Bank's business or financial condition or the market value of its securities.

The economies of the countries where the Bank operates remain vulnerable to external shocks that could be caused by significant economic difficulties experienced by their major regional trading partners or by more general "contagion" effects, which could have a material adverse effect on their economic growth and their ability to service their public debt.

A significant decline in the economic growth or a sustained economic downturn of any of Colombia's or El Salvador's major trading partners (i.e., United States, Venezuela and Ecuador for Colombia and the United States for El Salvador) could have a material adverse impact on Colombia's and El Salvador's balance of trade and remittances inflows, resulting in lower economic growth.

The recent global economic downturn, which began in the U.S. financial sector and then spread to different economic sectors and countries around the world, has had, and is expected to continue to have, adverse effects on the economies of the countries where the Bank operates. Colombia and El Salvador for instance, have experienced decreases in economic growth that have resulted in higher past due loans and loan loss provisions for the Bank, as well as in lower demand for its products.

Deterioration in the economic and political situation of neighboring countries could affect national stability or the Colombian economy by disrupting Colombia's diplomatic or commercial relationships with these countries. Recent political tensions between Colombia and Venezuela have produced lower trade levels that have adversely impacted economic activity. Further trade restrictions by Venezuela may deepen these adverse effects, while increasing tensions may cause political and economic uncertainty, instability, market volatility, lower confidence levels and higher risk aversion by investors and market participants that may negatively affect economic activity.

A contagion effect, in which an entire region or class of investment is disfavored by international investors, could negatively affect Colombia and El Salvador or other economies where the bank operates (i.e., Panama, Cayman Islands, Peru and Puerto Rico), as well as the market prices and liquidity of securities issued or owned by the Bank.

Any additional taxes resulting from changes to tax regulations or the interpretation thereof in Colombia, El Salvador or other countries where the Bank operates, could adversely affect the Bank's consolidated results.

Uncertainty relating to tax legislation poses a constant risk to the Bank. Colombian and Salvadorian national authorities have levied new taxes in recent years. Changes in legislation, regulation and jurisprudence can affect tax burdens by increasing tax rates and fees, creating new taxes, limiting stated expenses and deductions, and eliminating incentives and non-taxed income. Notably, the Colombian and Salvadorian governments have significant fiscal deficits that may result in future tax increases. Additional tax regulations could be implemented that could require the Bank to make additional tax payments, negatively affecting its results of operations and cash flow. In addition, national or local taxing authorities may not interpret tax regulations in the same way that the Bank does. Differing interpretations could result in future tax litigation and associated costs.

Exchange rate volatility may adversely affect the Colombian economy, the market price of our ADSs, and the dividends payable to holders of the Bank's ADSs.

Colombia has adopted a floating exchange rate system. The Colombian Central Bank maintains the power to intervene on the exchange market in order to consolidate or dispose of international reserves, and as to control any volatility in the exchange rate. From time to time, there have been significant fluctuations in the exchange rate between the Colombian peso and the U.S. dollar. For instance, the peso appreciated 1.99% in 2006, appreciated 10.01% in 2007, depreciated 11.36% in 2008, and appreciated 8.89% in 2009. Unforeseen events in the international markets, fluctuations in interest rates or changes in capital flows, may cause exchange rate instability that could generate sharp movements in the value of the peso. Given that a portion of our assets and liabilities are denominated in, or indexed to, foreign currencies, especially the U.S. dollar, sharp movements in exchange rates may negatively impact the Bank's results. In addition, exchange rate fluctuations may adversely impact the value of dividends paid to holders of the Bank's ADSs as well as the market price and liquidity of ADSs.

Colombia has experienced several periods of violence and instability, and such instability could affect the economy and the Bank.

Colombia has experienced several periods of criminal violence over the past four decades, primarily due to the activities of guerilla groups and drug cartels. In response, the Colombian government has implemented various security measures and has strengthened its military and police forces by creating specialized units. Despite these efforts, drug-related crime and guerilla activity continue to exist in Colombia. These activities, their possible escalation and the violence associated with them may have a negative impact on the Colombian economy or on the Bank in the future. The Bank's business or financial condition and the market value of the Bank's securities and any dividends distributed by it, could be adversely affected by rapidly changing economic and social conditions in Colombia and by the Colombian government's response to such conditions.

Risk Factors Relating to the Bank's Business and the Banking Industry

Instability of banking laws and regulations in Colombia and in other jurisdictions where the Bank operates could adversely affect the Bank's consolidated results.

Changes in banking laws and regulations, or in their official interpretation, in Colombia and in other jurisdictions where the Bank operates, may have a material effect on the Bank's business and operations. Since banking laws and regulations change frequently, they could be adopted, enforced or interpreted in a manner that may have an adverse effect on the Bank's business.

Although Bancolombia currently complies with capital requirements, future additional capital requirements could adversely affect the levels of return for stockholders' and/or the Bank's market price of its common and preferred shares.

Bancolombia's continuous assessment of its capital position aims at ensuring that Bancolombia and its financial subsidiaries maintain sufficient capital consistent with their risk profile, all applicable regulatory standards and guidelines as well as external rating agency conditions. There can be no assurance, however, that future regulation will not change or require Bancolombia or its subsidiaries to comply with additional capital. Moreover, the various regulators in the world have not reached consensus as to the appropriate level of capitalization for financial services institutions. Regulators in the jurisdictions where Bancolombia operate may alter the current regulatory capital requirements to which Bancolombia is subject and thereby necessitate equity increases that could dilute existing stockholders, lead to required asset sales or adversely impact the return on stockholders' equity.

Banking regulations, accounting standards and corporate disclosure applicable to the Bank and its subsidiaries differ from those in the United States and other countries.

While many of the policies underlying Colombian banking regulations are similar to those underlying regulations applicable to banks in other countries, including those in the United States, Colombian regulations can differ in a number of material respects from those other regulations. For example, capital adequacy requirements for banks under Colombian regulations differ from those under U.S. regulations and may differ from those in effect in other countries. The Bank prepares its annual audited financial statements in accordance with Colombian GAAP, which differs in significant respects to U.S. GAAP and International Financial Reporting Standards ("IFRS"). Thus, Colombian financial statements and reported earnings may differ from those of companies in other countries in these and other respects. Some of the differences affecting earnings and stockholders' equity include, but are not limited to the accounting treatment for restructuring, loan origination fees and costs, deferred income taxes and the accounting treatment for business combination accounting. Moreover, under Colombian GAAP, allowances for non-performing loans are computed by establishing each non-performing loan's individual inherent risk using criteria established by the Superintendency of Finance that differs from that used under U.S. GAAP. See "Item 4. Information on the Company – E. Selected Statistical Information – E.4. Summary of Loan Loss Experience – Allowance for Loan Losses".

Although the Colombian government is currently undertaking a review of present regulations relating to accounting, audit, and information disclosure, with the intention of seeking convergence with international standards, current regulations continue to differ in certain respects from those in other countries.

In addition, there may be less publicly available information about the Bank than is regularly published by or about U.S. issuers or issuers in other countries.

The Bank is subject to regulatory inspections, examinations, inquiries or audits in Colombia and in other countries where it operates, and any sanctions, fines and other penalties resulting from such inspections and audits could materially and adversely affect the Bank's business, financial condition, results of operations and reputation.

The Bank is subject to comprehensive regulation and supervision by the banking authorities of Colombia, El Salvador and the other jurisdictions in which the Bank operates. These regulatory authorities have broad powers to adopt regulations and other requirements affecting or restricting virtually all aspects of its capitalization, organization and operations, including the imposition of anti-money laundering measures and the authority to regulate the terms and conditions of credit that can be applied by banks. In the event of non-compliance with applicable regulations, the Bank could be subject to fines, sanctions or the revocation of licenses or permits to operate its business. In Colombia, for instance, in the event the Bank encounters significant financial problems or becomes insolvent or in danger of becoming insolvent, banking authorities would have the power to take over the Bank's management and operations. Any sanctions, fines and other penalties resulting from non-compliance with regulations in Colombia and in the other jurisdictions where the Bank operates could materially and adversely affect the Bank's business, financial condition, results of operations and reputation.

Moreover, banking and financial services laws and regulations are subject to continuing review and changes, and any such changes in the future may have an adverse impact on the Bank's operations, including making and collecting loans and other extensions of credit, which could materially and adversely affect the Bank's results of operations and financial position.

The increase of constitutional actions (acciones populares), class actions (acciones de grupo) and other legal actions involving claims for significant monetary awards against financial institutions may affect the Bank's businesses.

Under the Colombian Constitution, individuals may initiate constitutional or class actions to protect their collective or class rights, respectively. In recent years, Colombian financial institutions, including the Bank, have experienced a substantial increase in the aggregate number of these actions. The great majority of such actions are related to fees, financial services and interest rates, and their outcome is uncertain. Although during 2009 the aggregate number of such actions brought against the Bank remained stable as compared to 2008 and 2007, the number of such actions might not remain stable in the future. The number of these actions may increase in the future and could significantly affect the Bank's business.

The Bank and members of its senior management are defendants in several legal proceedings.

The Bank is a party to lawsuits arising in the ordinary course of business that can be expensive and lengthy. In addition, the Bank and its management, including the Bank's current President and Vice-President, are currently involved in several legal proceedings related to the acquisition of its predecessor entity. An unfavorable resolution to any of the lawsuits or investigations could negatively affect the Bank's reputation and the price of its outstanding securities. See "Item 8. Financial Information – A. Consolidated Statements and Other Financial Information – A.1. Consolidated Financial Statements – A.2. Legal Proceedings in this Annual Report".

Future restrictions on interest rates or banking fees could negatively affect the Bank's profitability.

In the future, regulations in the jurisdictions where the Bank operates could impose limitations regarding interest rates or fees. Any such limitations could materially and adversely affect the Bank's results of operations and financial position.

In particular, there has been an ongoing dispute in Colombia among merchants, payment services and banks regarding interchange fees. Specifically, in 2004, the Superintendency of Commerce and Industry started an investigation against Credibanco and Redeban, entities that participate in Colombia's payment services system, for an alleged illegal anticompetitive agreement based on the way in which interchange fees were determined at that time.

The Superintendency of Commerce and Industry has determined that there was a breach in the compliance of some commitments signed by Redeban, Credibanco and the banks and imposed a fine, a decision that was confirmed in September 2009.

As a consequence of the dispute described above, interchange fees in Colombia have been declining in recent years, while further pressures may lead to additional decreases, which in turn could impact the Bank's financial results.

The Bank is subject to credit risk.

A number of our products expose the Bank to credit risk, including loans, financial leases, lending commitments and derivatives. Changes in the income levels of the Bank's borrowers, increases in the inflation rate or an increase in interest rates could have a negative effect on the quality of the Bank's loan portfolio, causing the Bank to increase provisions for loan losses and resulting in reduced profits or in losses.

The Bank estimates and establishes reserves for credit risk and potential credit losses. This process involves subjective and complex judgments, including projections of economic conditions and assumptions on the ability of our borrowers to repay their loans. This process is subject to human error as the Bank's employees may not always be able to assign an accurate credit rating to a client, which may result in the Bank's exposure to higher credit risks than indicated by the Bank's risk rating system. The Bank may not be able to timely detect these risks before they occur, or due to limited resources or available tools, the Bank's employees may not be able to effectively implement its credit risk management system, which may increase its exposure to credit risk. Moreover, the Bank's failure to continuously refine its credit risk management system may result in a higher risk exposure for the Bank, which could materially and adversely affect its results of operations and financial position.

Overall, if the Bank is unable to effectively control the level of non-performing or poor credit quality loans in the future, or if its loan loss reserves are insufficient to cover future loan losses, the Bank's financial condition and results of operations may be materially and adversely affected.

In addition, the amount of the Bank's non-performing loans may increase in the future, including loan portfolios that the Bank may acquire through auctions or otherwise, as a result of factors beyond the Bank's control, such as the impact of macroeconomic trends and political events affecting Colombia or other jurisdictions where the Bank operates, or events affecting specific industries.

The recent economic downturn has adversely affected, and may continue to adversely affect, Bancolombia's asset quality levels, which in turn have produced higher provision charges.

Recent lower economic activity has affected, and may continue to affect, consumer confidence levels, consumer spending, bankruptcy rates, and levels of incurrence and default on consumer and commercial debt, among other factors, in the markets where Bancolombia operates. Any of these factors, along with persistently high levels of unemployment, may result in a greater likelihood of delinquencies and past due loans, which in turn, could result in a higher level of loan losses and allowances for credit losses, all of which could adversely affect our earnings.

The Bank is subject to credit risks with respect to its non-traditional banking businesses including investing in securities and entering into derivatives transactions.

Non-traditional sources of credit risk can arise from, among other things: investing in securities of third parties, entering into derivative contracts under which counterparties have obligations to make payments to the Bank, and executing securities, futures, currency or commodity trades from the Bank's proprietary trading desk that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. Any significant increases in exposure to any of these non-traditional risks, or a significant decline in credit risk or bankruptcy of any of the counterparties, could materially and adversely affect the Bank's results of operations and financial position.

The Bank is exposed to risks associated with the mortgage loan market.

Bancolombia is a leader in the Colombian mortgage loan market. Colombia's mortgage loan market is highly regulated and has historically been affected by various macroeconomic factors such as periods of sustained high interest rates which have historically discouraged customers from borrowing and have resulted in increased defaults in outstanding loans and deterioration in the quality of assets.

The Bank is subject to concentration default risks in its loan portfolio. Problems with one or more of its largest borrowers may adversely affect its financial condition and results of operations.

The aggregate outstanding principal amount of the Bank's 25 largest borrowing relationships represented approximately 12% of its total consolidated loan portfolio as of December 31, 2009. Problems with one or more of the Bank's largest borrowers could materially and adversely affect its results of operations and financial position. For more information, see "Item 4. Information on the Company – E. Selected Statistical Information – E.3. Loan Portfolio – Borrowing Relationships".

The value of the collateral or guarantees securing the outstanding principal and interest balance of the Bank's loans may not be sufficient to cover such outstanding principal and interest. In addition, the Bank may be unable to realize the full value of the collateral or guarantees securing the outstanding principal and interest balance of its loans.

The Bank's loans collateral primarily includes real estate, assets pledged in financial leasing transactions and other assets that are located primarily in Colombia and El Salvador, the value of which may significantly fluctuate or decline due to factors beyond the Bank's control. Such factors include macroeconomic factors and political events affecting the local economy. Any decline in the value of the collateral securing the Bank's loans may result in a reduction in the recovery from collateral realization and may have an adverse impact on the Bank's results of operations and financial condition. In addition, the Bank may face difficulties in enforcing its rights as a secured creditor. In particular, timing delays and procedural problems in enforcing against collateral and local protectionism, may make foreclosures on collateral and enforcement of judgments difficult, and may result in losses, that could materially and adversely affect the Bank's results of operations and financial position.

The Bank is subject to market risk.

We are directly and indirectly affected by changes in market conditions. Market risk, or the risk that values of assets and liabilities or revenues will be adversely affected by variation in market conditions, is inherent in the products and instruments associated with our operations, including loans, deposits, securities, bonds, long-term debt, short-term borrowings, proprietary trading in assets and liabilities and derivatives. Changes in market conditions that may affect our financial condition and results of operations include fluctuations in interest and currency exchange rates, securities prices, changes in the implied volatility of interest rates and foreign exchange rates, among others.

The Bank is subject to fluctuations in interest rates, which may materially and adversely affect its results of operations and financial condition.

The Bank holds a substantial portfolio of loans and debt securities that have both fixed and floating interest rates. Therefore, changes in interest rates could adversely affect our net interest margins as well as the prices of these securities. Increases in interest rates may reduce gains or the market value of the Bank's debt securities. Sustained high interest rates have historically discouraged customers from borrowing and have resulted in increased delinquencies in outstanding loans and deterioration in the quality of assets. On the other hand, decreases in interest rates may cause margin compression and lower net interest income as the Bank usually maintains more assets than liabilities at variable rates. Decreasing interest rates also may trigger loan prepayments which could negatively affect the Bank's net interest income. Generally, in a declining interest rate environment, prepayment activity increases which reduces the weighted average maturity of the Bank's interest earning assets and adversely affects its operating results. Prepayment risk also has a significant adverse impact on credit card and collateralized mortgage obligations, since prepayments could shorten the weighted average life of these portfolios, which may result in a mismatch in funding or in reinvestment at lower yields. In addition, the Bank may incur costs which, in turn, may impact its results as it implements strategies to reduce future interest rate exposure.

The Bank's income from its proprietary trading activities is highly volatile.

The Bank's trading income is highly volatile. The Bank derives a portion of its profits from its proprietary trading activities and any significant reduction in its trading income could adversely affect the Bank's results of operations and financial position. The Bank's trading income is dependent on numerous factors beyond its control, such as the general market environment, overall market trading activity, interest rate levels, fluctuations in exchange rates and general market volatility. A significant decline in the Bank's trading income, or the incurrence of a trading loss, could adversely affect the Bank's results of operations and financial position.

The Bank's results could be negatively impacted by the depreciation of sovereign debt securities.

The Bank's debt securities portfolio is primarily composed of sovereign debt securities, including securities issued or guaranteed by the Colombian government. Therefore, the Bank's results are exposed to credit, market, and liquidity risk associated with sovereign debt. As of December 31, 2009, the Bank's total debt securities represented 13.6% of its total assets, and 40% of these securities were issued or backed by the Colombian government. A significant decline in the value of the securities issued or guaranteed by the Colombian government could adversely affect the Bank's debt securities portfolio and consequently the Bank's results of operations and financial position.

The Bank is subject to market, operational and structural risks associated with its derivative transactions.

The Bank enters into derivative transactions for hedging purposes and on behalf of its customers. The Bank is subject to market and operational risks associated with these transactions, including basis risk (the risk of loss associated with variations in the spread between the asset yield and the funding and/or hedge cost) and credit or default risk (the risk of insolvency or other inability of the counterparty to a particular transaction to perform its obligations thereunder). In addition, the market practice and documentation for derivative transactions is less developed in the jurisdictions where the Bank operates as compared to other more developed countries, and the court systems in such jurissdications have limited experience in dealing with issues related to derivative transactions. As a result, there is increased operating and structural risks associated with derivatives transactions in these jurisdictions.

In addition, the execution and performance of derivatives transactions depend on the Bank's ability to develop adequate control and administrative systems, and to hire and retain qualified personnel. Moreover, the Bank's ability to adequately monitor, analyze and report these derivative transactions depends, to a great extent, on its information technology systems. These factors may further increase the risks associated with these transactions and could materially and adversely affect the Bank's results of operations and financial position.

The Bank is subject to operational risks.

The Bank's businesses are dependent on the ability to process a large number of transactions efficiently and accurately. Operational risks and losses can result from fraud, employee errors, and failure to properly document transactions or to obtain proper internal authorization, failure to comply with regulatory requirements, breaches of conduct of business rules, equipment failures, natural disasters or the failure of external systems. The Bank's currently adopted procedures may not be effective in controlling each of the operational risks faced by the Bank.

The Bank's businesses rely heavily on data collection, processing and storage systems, the failure of which could materially and adversely affect the effectiveness of its risk management, reputation and internal control system as well as its financial condition and results of operations.

All of the Bank's principal businesses are highly dependent on the ability to timely collect and process a large amount of financial and other information at its various branches across numerous markets, at a time when transaction processes have become increasingly complex with increasing volume. The proper functioning of financial control, accounting or other data collection and processing systems is critical to the Bank's businesses and to its ability to compete effectively. A partial or complete failure of any of these primary systems could materially and adversely affect the Bank's decision making process, its risk management and internal control systems, the quality of its service, as well as the Bank's ability to respond on a timely basis to changing market conditions. If the Bank cannot maintain an effective data collection and management system, its business operations, financial condition, reputation and results of operations could be materially and adversely affected. The Bank is also dependent on information systems to operate its website, process transactions, respond to customer inquiries on a timely basis and maintain cost-efficient operations. The Bank may experience operational problems with its information systems as a result of system failures, viruses, computer hackers or other causes. Any material disruption or slowdown of its systems could cause information, including data related to customer requests, to be lost or to be delivered to the Bank's clients with delays or errors, which could reduce demand for the Bank's services and products and could materially and adversely affect the Bank's results of operations and financial position.

Any failure to effectively improve or upgrade the Bank's information technology infrastructure and management information systems in a timely manner could adversely affect its competitiveness, financial condition and results of operations.

The Bank's ability to remain competitive will depend in part on its ability to upgrade the Bank's information technology infrastructure on a timely and cost-effective basis. The information available to and received by the Bank's management through its existing information systems may not be timely and sufficient to manage risks or to plan for and respond to changes in market conditions and other developments in its operations. The Bank is currently undertaking a project to update its information technology platform ("IT platform"). Any failure to effectively improve or upgrade the Bank's information technology infrastructure and information management information systems in a timely manner could materially and adversely affect the Bank's competitiveness, financial condition and results of operations.

The occurrence of natural disasters in the regions where the Bank operates could impair its ability to conduct business effectively and could impact the Bank's results of operations.

The Bank is exposed to the risk of natural disasters such as earthquakes, volcanic eruptions, tornadoes, tropical storms, wind and hurricanes in the regions where it operates, particularly in El Salvador. In the event of a natural disaster, unanticipated problems with the Bank's disaster recovery systems could have a material adverse effect on the Bank's ability to conduct business in the affected region, particularly if those problems affect its computer-based data processing, transmission, storage and retrieval systems and destroy valuable data. In addition, if a significant number of the Bank's local employees and managers were unavailable in the event of a disaster, its ability to effectively conduct business could be severely compromised. A natural disaster or multiple catastrophic events could have a material adverse effect on the Bank's business and results of operations in the affected region.

Acquisitions and strategic partnerships may not perform in accordance with expectations or may disrupt the Bank's operations and adversely affect its profitability.

An element of the Bank's business strategy is to identify and pursue growth-enhancing strategic opportunities. As part of that strategy, the Bank acquired interests in various institutions during recent years. For example, in 2007, the Bank acquired 98.9% of all the issued and outstanding shares of Banagrícola. The Bank will continue to actively consider other strategic acquisitions and partnerships from time to time. The Bank must necessarily base any assessment of potential acquisitions and partnerships on assumptions with respect to operations, profitability and other matters that may subsequently prove to be incorrect. The Banagrícola acquisition and future acquisitions, investments and alliances may not produce anticipated synergies or perform in accordance with the Bank's expectations and could adversely affect its operations and profitability. In addition, new demands on the Bank's existing organization and personnel resulting from the integration of new acquisitions could disrupt the Bank's operations and adversely affect its operations and profitability.

The Bank's concentration in and reliance on short-term deposits may increase its funding costs.

The Bank's principal sources of funds are short-term deposits, which together represented a share of 73.2%, 72.5% and 76.9% of total liabilities at the end of 2007, 2008 and 2009, respectively. Because the Bank relies primarily on short-term deposits for its funding, in the event of a sudden or unexpected shortage of funds in the banking systems and money markets where the Bank operates, the Bank may not be able to maintain its current level of funding without incurring higher costs or selling certain assets at prices below their prevailing market value.

The Bank is subject to reputational risk.

Damage to our reputation may limit our ability to attract customers, employees and investors. Harm to our reputation can arise from employee misconduct, legal and regulatory requirements, ethical issues, money laundering, and failing to deliver minimum standards of service and quality, among others. Failure to adequately address these issues may affect our business and prospects.

The Bank's policies and procedures may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose the Bank to fines and other liabilities.

The Bank is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations. These laws and regulations require the Bank, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. While the Bank has adopted policies and procedures aimed at detecting and preventing the use of its banking network for money laundering activities and by terrorists and terrorist-related organizations and individuals generally, such policies and procedures have in some cases only been adopted recently and may not completely eliminate instances where it may be used by other parties to engage in money laundering and other illegal or improper activities. To the extent the Bank may fail to fully comply with applicable laws and regulations, the relevant government agencies to which it reports have the power and authority to impose fines and other penalties on the Bank. In addition, the Bank's business and reputation could suffer if customers use the Bank for money laundering or illegal or improper purposes.

The Bank is subject to increasing competition which may adversely affect its results of operations.

The Bank operates in a highly competitive environment and increased competitive conditions are to be expected in the jurisdictions where the Bank operates. Intensified merger activity in the financial services industry produces larger, better capitalized and more geographically diverse firms that are capable of offering a wider array of financial products and services at more competitive prices. The Bank's ability to maintain its competitive position depends mainly on its ability to fulfill new customers' needs through the development of new products and services and the Bank's ability to offer adequate services and strengthen its customer base through cross-selling. The Bank's business will be adversely affected if the Bank is not able to maintain efficient service strategies. In addition, the Bank's efforts to offer new services and products may not succeed if product or market opportunities develop more slowly than expected or if the profitability of opportunities is undermined by competitive pressures.

Risks Relating to the Preferred Shares and the American Depositary Shares ("ADSs")

American Depositary Receipts ("ADRs") do not have the same tax benefits as other equity investments in Colombia.

Although ADRs represent Bancolombia's preferred shares, they are held through a fund of foreign capital in Colombia which is subject to a specific tax regulation regime. Accordingly, the tax benefits applicable in Colombia to equity investments, in particular, those relating to dividends and profits from sale, are not applicable to ADRs, including the Bank's ADRs. For more information see "Item 10. Additional Information. – E. Taxation –Colombian Taxation".

Preemptive rights may not be available to holders of ADRs.

The Bank's by-laws and Colombian law require that, whenever the Bank issues new shares of any outstanding class, it must offer the holders of each class of shares (including holders of ADRs) the right to purchase a number of shares of such class sufficient to maintain their existing percentage ownership of the aggregate capital stock of the Bank. These rights are called preemptive rights. United States holders of ADRs may not be able to exercise their preemptive rights through The Bank of New York, which acts as depositary (the "Depositary") for the Bank's ADR facility, unless a registration statement under the Securities Act is effective with respect to such rights and stocks or an exemption from the registration requirement thereunder is available. Although the Bank is not obligated to, it intends to consider at the time of any rights offering the costs and potential liabilities associated with any such registration statement, the benefits to the Bank from enabling the holders of the ADRs to exercise those rights and any other factors deemed appropriate at the time, and will then make a decision as to whether to file a registration statement. Accordingly, the Bank might decide not to file a registration statement in some cases.

To the extent holders of ADRs are unable to exercise these rights because a registration statement has not been filed and no exemption from the registration requirement under the Securities Act is available, the Depositary may attempt to sell the holders' preemptive rights and distribute the net proceeds from that sale, if any, to such holders. The Depositary, after consulting with the Bank, will have discretion as to the procedure for making preemptive rights available to the holders of ADRs, disposing of such rights and making any proceeds available to such holders. If by the terms of any rights offering or for any other reason the Depositary is unable or chooses not to make those rights available to any holder of ADRs, and if it is unable or for any reason chooses not to sell those rights, the Depositary may allow the rights to lapse. Whenever the rights are sold or lapse, the equity interests of the holders of ADRs will be proportionately diluted.

The Bank’s preferred shares have limited voting rights.

The Bank’s corporate affairs are governed by its by-laws and Colombian law. Under Colombian law, the Bank’s preferred stockholders may have fewer rights than stockholders of a corporation incorporated in a U.S. jurisdiction. Holders of the Bank’s ADRs and preferred shares are not entitled to vote for the election of directors or to influence the Bank’s management policies. Under the Bank’s by-laws and Colombian corporate law, holders of preferred shares (and consequently, holders of ADRs) have no voting rights in respect of preferred shares, other than in limited circumstances as described in “Item 10. Additional Information – B. Memorandum and Articles of Association – Description of Share Rights, Preferences and Restrictions – Voting Rights – Preferred Shares”.

H olders of the Bank’s ADRs may encounter difficulties in the exercise of dividend and voting rights.

Holders of the Bank’s ADRs may encounter difficulties in the exercise of some of their rights with respect to the shares underlying ADRs. If the Bank makes a distribution to holders of underlying shares in the form of securities, the Depositary is allowed, in its discretion, to sell those securities on behalf of ADR holders and instead distribute the net proceeds to the ADR holders. Also, under some circumstances, ADR holders may not be able to vote by giving instructions to the depositary in those limited instances in which the preferred shares represented by the ADRs have the power to vote.

Relative illiquidity of the Colombian securities markets may impair the ability of an ADR holder to sell preferred shares.

The Bank’s common and preferred shares are listed on the Colombian Stock Exchange, which is relatively small and illiquid compared to stock exchanges in major financial centers. In addition, a small number of issuers represent a disproportionately large percentage of market capitalization and trading volume on the Colombian Stock Exchange. A liquid trading market for the Bank’s securities might not develop on the Colombian Stock Exchange. A limited trading market could impair the ability of an ADR holder to sell preferred shares (obtained upon withdrawal of such shares from the ADR facility) on the Colombian Stock Exchange in the amount and at the price and time such holder desires, and could increase the volatility of the price of the ADRs.

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

Bancolombia is Colombia’s leading financial institution, providing a wide range of financial products and services to a diversified individual and corporate customer base throughout Colombia as well as in other jurisdictions such as Panama, El Salvador, Puerto Rico, the Cayman Islands, Peru, Brazil, the United States and Spain.

Bancolombia was incorporated in Colombia in 1945, under the name Banco Industrial Colombiano S.A. or “BIC”. In 1998, the Bank merged with Banco de Colombia S.A., and changed its legal name to Bancolombia S.A. On July 30, 2005, Conavi and Corfinsura merged with and into Bancolombia, with Bancolombia as the surviving entity. Through this merger, Bancolombia gained important competitive advantages, as Conavi and Corfinsura were two of the top financial institutions in the Colombian market at the time. Conavi, the leader in mortgage banking in Colombia and one of the strongest in retail operations, significantly increased the Bank’s participation and know-how in these specific markets. On the other hand, Corfinsura, then the largest financial corporation in Colombia and highly regarded for its expertise in handling large and mid-sized corporate credit and financial services, its investment bank and its modern and diversified treasury department, materially strengthened Bancolombia’s multi-banking franchise.

In May 2007, Bancolombia Panamá acquired Banagrícola which controls several subsidiaries, including Banco Agrícola in El Salvador and is dedicated to banking, commercial and consumer activities, insurance, pension funds and brokerage. Through its first international acquisition, Bancolombia gained a leadership position in the Salvadorian market. The Bank is a sociedad comercial por acciones, de la especie anónima, domiciled in Medellín, Colombia and operates under Colombian laws and regulations, mainly the Colombian Code of Commerce and Decree 663 of 1993.

Since 1995, Bancolombia has maintained a listing on the NYSE, where its ADSs are traded under the symbol "CIB", and on the Colombian Stock Exchange, where its preferred shares are traded under the symbol "PFBCOLOM". Since 1981 Bancolombia's common shares have been traded on Colombian Exchanges under the symbol "BCOLOMBIA". See "Item 9. The Offer and Listing".

Bancolombia has grown substantially over the years, both through organic growth and acquisitions. As of December 31, 2009, Bancolombia had, on a consolidated basis:

- COP 61,864 billion in total assets;
- COP 39,610 billion in total net loans and financial leases;
- COP 42,149 billion in total deposits; and
- COP 7,033 billion in stockholders' equity.

Bancolombia's consolidated net income for the year ended December 31, 2009 was COP 1,257 billion, representing an average return on equity of 19.6% and an average return on assets of 2.0%.

The address and telephone number of the Bank's headquarters are as follows: Carrera 48 # 26-85, Medellín, Colombia; telephone + (574) 404-1837. Our agent for service of process in the United States is Puglisi & Associates, presently located at 850 Library Avenue, Suite 204, Newark, Delaware 19711.

KEY RECENT DEVELOPMENTS

On January 4th 2010, Banca de Inversión Bancolombia S.A. sold 5,863,418 shares of Inversiones, Valores Y Logística S.A. En Liquidación, equivalent to 98.252% of the outstanding shares of the company, to Inversiones Egeo I S.A.S.for a total consideration of COP 33,895 million, 65% of which was payable in January 2010 with the remaining 35% to be paid within six months of the initial payment.

In March 2010, Leasing Bancolombia S.A. Compañía de Financiamiento completed a local offering of ordinary notes for an aggregate principal amount of four hundred billion pesos (COP 400,000,000,000). This issuance and offering was the first of multiple planned issuances of ordinary notes, which are limited to an aggregate principal amount of one trillion five hundred billion pesos (COP 1,500,000,000,000).

In March 2010, Leasing Bancolombia S.A. Compañía de Financiamiento Comercial, signed a stockholders purchase agreement with Mitsubishi Corporation to acquire the shares that Mitsubishi has in Renting Colombia S.A. Therefore, Leasing Bancolombia S.A. owns 94.5% of Renting Colombia S.A.

On March 19, 2010 assets, liabilities and contracts of Sufinanciamiento S.A. Compañia de Financiamiento were assigned to its parent company, Bancolombia, as authorized by the Colombian Superintendency of Finance. Pursuant to the transaction, Sufinanciamiento assigned to Bancolombia assets and contracts totaling COP 1,208,019 million and Bancolombia assumed liabilities of Sufinanciamiento totaling COP 1,192,809 million. The difference, amounting to COP 15,210 million, was paid by Bancolombia. Also pursuant to the transaction, Bancolombia kept the trademark to Sufinanciamiento, which will hereafter be used to identify the automobile finance division of Bancolombia. Given that Sufinanciemiento is a fully owned subsidiary, this transaction had no effect on the Bank's consolidated financial statements.

On March 31, 2010, Banca de Inversión Bancolombia S.A. Corporación Financiera ("Banca de Inversion") signed an agreement with Telebucaramanga S.A. E.S.P. ("Telebucaramanga"), a telecommunications company that provides services mainly in the Department of Santander, to sell Banca de Inversion's 28.42% ownership interest in Metrotel Redes S.A. Pursuant to the agreement, Banca de Inversión received an amount of COP 30,000 million.

PUBLIC TAKEOVER OFFERS

During 2009, and as of the date of this Annual Report, there have been no public takeover offers by third parties in respect of the Bank's shares or by the Bank in respect to another company's shares.

CAPITAL EXPENDITURES AND DIVESTITURES

During the past three years, Bancolombia has made significant capital expenditures aimed at increasing the Bank's productivity, accessibility and cost efficiency. These expenditures include the improvements made to the Bank's "IT Platform" and those related to new ATMs and branches.

During 2007, total capital expenditures of the Bank, on an unconsolidated basis, amounted to approximately COP 192.9 billion. Such investments were made mainly in buildings under construction (COP 111.5 billion), purchases of land and buildings (COP 21.3 billion), technology and data processing equipment (COP 37.5 billion) and furniture and equipment (COP 21.5 billion).

During 2008, total capital expenditures of the Bank amounted to COP 540 billion. Such investments were made mainly in land and buildings (COP 202 billion), data processing equipment (COP 55 billion), furniture and fixtures to (COP 49 billion), vehicles (COP 200 billion) and investments related to the IT Platform Renewal project (COP 36 billion).

During 2009, total capital expenditures of the Bank amounted to COP 344 billion. Such investments were made mainly in land and buildings (COP 87 billion), data processing equipment (COP 40 billion), furniture and fixtures (COP 24 billion), vehicles (COP 106 billion), and investments related to the IT Platform Renewal totaled COP 87 billion. In 2009, the Bank continued the renovation of its IT Platform, while capital expenditures related to vehicles are primarily due to the business growth of Renting Colombia S.A., Bancolombia's subsidiary which provides operating lease and fleet management services for individuals and companies.

In 2009, Bancolombia funded its capital expenditures with its own resources and plans to continue to fund those currently in progress in the same way. No assurance can be given, however, that all such capital expenditures will be made and, if made, that such expenditures will be in the amounts currently expected.

During 2010, the Bank expects to invest approximately COP 285 billion as follows: COP 124 billion in connection with an IT Platform renewal project, COP 74 billion in connection with the expansion of the Bank's branch and ATM network, COP 32 billion in connection with the purchase of hardware for the expansion, updating and replacement of the current equipment and COP 55 billion in connection with other investments, such as an anti-fraud and fixed assets. These figures represent only an estimate and may change according to the continuing assessment of the Bank's projects portfolio.

The following table summarizes the Bank's capital expenditures and divestitures in interests in other companies for the years ending December 31, 2009, 2008 and 2007:

	As of December 31,			
Capital Expenditures (COP million)	2009	2008	2007	Total
Banagrícola S.A.	469	2,503	1,776,310	1,779,282
Inversiones Financieras Banco Agrícola S.A.	4,512	865	608,365	613,742
Banco Agrícola S.A.	905	3,951	94,384	99,240
Compañía de Financiamiento Comercial Sufinanciamiento S.A.	-	24,997	79,981	104,978

Renting Colombia S.A.	-	7,774	67,043	74,817
Asesuisa, S.A.	-	605	-	605
Asesuisa Vida S.A.	-	-	11,947	11,947
Suleasing International USA Inc.	-	-	6,446	6,446
Sutecnología S.A.	-	-	3,067	3,067
Suramericana de Inversiones S.A.	-	-	1,311	1,311
Leasing Bancolombia S.A.	-	-	1,157	1,157

Capital Expenditures (COP million)	As of December 31, 2009	2008	2007	Total
FCP Colombia Inmobiliaria	25,700	26,595	-	52,295
Fiduciaria Bancolombia S.A.	-	-	31	31
Factoring Bancolombia S.A.	20,001	5,000	10	25,011
Fondo de Inversión en arrendamiento operativo	5,476	21,089	-	26,565
VISA Inc.	-	5,237	-	5,237
Transportempo S.A.	195	2,493	-	2,688
Renting Peru S.A.C.	5,466	4,936	-	10,402
Inversiones IVL S.A.	-	4,757	-	4,757
EPSA S.A. ESP	62,343	-	-	62,343
Promotora La Alborada (1)	14,001	-	-	14,001
Bancolombia Cayman	10,221	-	-	10,221
Inversiones Inmobiliarias Arauco Alameda S.A.	20,657	-	-	20,657
Others	7,741	5,076	3,860	16,677
Total Expenditures (COP million)	177,687	115,878	2,653,912	2,947,477

(1) In 2009, the divestiture of Promotora La Alborada, carried out in 2008, was reversed given the buyer's failure to comply with the terms and conditions of the corresponding agreement.

Divestitures (COP million)	2009	2008	2007	Total
Acerias Paz del Río (2)	-	56	-	56
Banco de Crédito (2)	-	268	-	268
Almacenar S.A. (2)	-	-	14,262	14,262
Inversiones IVL S.A. (2)	-	-	9,542	9,542
Sociedad Portuaria Regional de Buenaventura S.A. (2)	-	-	4,917	4,917
Terminal Marítimo Muelles El Bosque S.A. (2)	-	-	3,320	3,320
Bolsa de Valores de Colombia S.A. (2)	-	-	2,261	2,261
Suramericana de Inversiones S.A. (2)	-	1,675	-	1,675
Multienlace (2)	-	13,710	-	13,710
Bolsa De Valores de Colombia (2)	-	13,468	-	13,468
Fundicom S.A. (2)	-	11,789	-	11,789
Promotora La Alborada (2)	-	14,001	-	14,001
P.A. Renting Colombia (2)	-	13,296	-	13,296
Interconexión Eléctrica S.A. (2)	-	1,632	-	1,632
Valores Simesa S.A. (2)	948	1,248	-	2,196
Inversiones Valsimesa S.A. (2)	-	1,119	-	1,119
Concesiones Urbanas S.A. (2)	2,859	-	-	2,859
Visa Inc (2)	31,589	-	-	31,589
Others(1) (2)	655	3,129	2,093	5,877
Total Divestitures(COP million)	36,051	75,391	36,395	147,837

(1) Investments charged off.
(2) Investments sold.

B. BUSINESS OVERVIEW

B.1. GENERAL

COMPANY DESCRIPTION, PRODUCTS AND SERVICES

Bancolombia is a full service financial institution incorporated in Colombia that offers a wide range of banking products and services to a diversified individual and corporate customer base of more than 6.9 million customers. Bancolombia delivers its product and services through its regional network comprising Colombia's largest non-government owned banking network, El Salvador's leading financial conglomerate, off-shore banking subsidiaries in Panama, Cayman and Puerto Rico, as well as an agency in Miami and minor operations in Peru, Brazil and Spain. Together, Bancolombia and its subsidiaries offer the following products and services:

Savings and Investment: Bancolombia offers its customers checking accounts, savings accounts, fixed term deposits and a diverse variety of investment products that fit the specific transactional needs of each client and their income bracket.

Financing:Bancolombia offers its customers a wide range of credit alternatives which include: trade financing, loans funded by domestic development banks, working capital loans, credit cards, personal loans, vehicle loans, payroll loans and overdrafts, among others. It also offers the following financial specialized products:

Mortgage Banking: Bancolombia is a leader in the mortgage market in Colombia, providing full financial support to construction firms and mortgages for individuals and companies.

Factoring: Bancolombia offers its clients solutions for handling their working capital and maximizing their asset turnover through comprehensive solutions to manage their accounts receivable financing.

Financial and Operating Leases: Bancolombia, primarily through Leasing Bancolombia and its subsidiaries, offers financial and operational leases specifically designed for acquiring fixed assets.

Treasury:Bancolombia assists its clients in hedging their market risks through innovative derivative structures. The Bank also performs inter-bank lending, repurchase agreements or “repos”, sovereign and corporate securities sales and trading, foreign currency forwards, interest rate and cross currency swaps and European options.

Comprehensive Cash Management: Bancolombia provides support to its clients through efficient cash management. Bancolombia offers a portfolio of standard products that allows clients to make their payments and collections.

Foreign Currency:Bancolombia offers its clients specialized solutions to satisfy their investment, financing and payment needs with regard to foreign currency transactions.

Bancassurance and Insurance: Bancolombia has consolidated a comprehensive portfolio of insurance and pension banking products aimed at new market niches and focusing on building long-term relationships with clients. Through its branch network, Bancolombia offers various insurance products (life insurance, home insurance and personal accident insurance) from Compañía Suramericana de Seguros, one of the major insurance companies in Colombia and recently Bancolombia started offering unemployment insurance issued by Cardif Colombia Seguros Generales S.A. With respect to El Salvador, Banco Agricola offers a comprehensive portfolio of insurance products from Asesuisa (auto insurance, personal accident and health insurance, fire and associated perils insurance, cargo insurance, among others) and Asesuisa Vida (life insurance).

Brokerage Services: Bancolombia offers, through Valores Bancolombia, Suvalor Panama and Bursabac, brokerage and investment advisory services, covering various investment alternatives including equities, futures, foreign currencies, fixed income securities, mutual funds and structured products.

Investment Banking: Bancolombia offers, through Banca de Inversión an ample portfolio of value-added services that allow it to advise and assist companies from all economic sectors, including in areas relating to project finance, capital markets, capital investments, M&A, restructurings and corporate lending.

Asset Management and Trust Services : Bancolombia provides, through Fiduciaria Bancolombia, Valores Bancolombia and AFP Crecer S.A, asset management and trust products that include mutual funds, pension funds, administration and payment trusts, public trusts, real estate trusts, securitization and guarantee trusts.

NEW PRODUCTS OR SERVICES

Bancolombia continues its efforts to diversify and improve its product portfolio. Below is a brief description of the new products and services introduced in 2009:

Credit Card Unemployment I nsurance: Credit card unemployment insurance covers the monthly payments of the card holder for a specified amount of time in case of job loss, temporary disability or serious disease. The insurance policy is underwritten by Cardif Colombia S.A. and Bancolombia gets a fee for the distribution of this insurance product.

Mortgage Interest RateRelief: This product, designed for the purchase of new homes within specific price brackets, complements the interest rate subsidy offered by the Colombian government during 2009. The government subsidizes part of the interest rate during the first seven years of the loan and Bancolombia extends such subsidy to the remaining life of the loan.

Electronic Payment of Taxes to theDirección de Impuestos y Aduanas Nacionales("DIAN") (Colombia's Tax A uthority): This service allows those taxpayers who are authorized by the DIAN to declare their taxes electronically, to make their payments through Bancolombia's Virtual Branch instead of the physical branches.

Mi Casa con Remesas("My Home with R emittances"): A mortgage loan designed for residents of Colombia who are recipients of remittances from foreign countries. This product was the result of the Bank's participation in a project headed by the Interamerican Development Bank ("IDB"). Bancolombia was co-executor of the project.

MAIN LINES OF BUSINESS

The principal lines of business of Bancolombia by operating segments are as follows:

Retail and Small Business Banking:The Bank's Retail Banking segment provides a wide range of financial products and services to individuals and SMEs from both the public and private sectors (firms with annual sales of under COP 16,000 million) in Colombia and El Salvador. Bancolombia's Retail and Small Business Banking segments serve a wide range of clients with different needs, goals and lifestyles.

Corporate and G overnmental Banking: This segment provides commercial banking products and services to local and international companies with annual sales of more than COP 16,000 million in both the public and private sectors. The Bank's strategy is to grow with these clients based on value-added, long-term relationships. In order to offer specialized services to clients engaged in a diverse spectrum of industries, the Bank's sales force determines the needs and its challenges of each client and specializes in nine economic sectors: Agribusiness, Commerce, Manufacturing of Supplies and Materials, Media, Financial Services, Non-Financial Services, Construction, Government and Natural Resources.

Treasury: This segment is responsible for the management of the Bank's proprietary trading activities, liquidity and distribution of treasury products and services to its client base in Colombia. In addition, Bancolombia's Economic Research Department is included in this division.

Offshore Commercial Banking:Bancolombia Panamá S.A., Bancolombia Cayman, Bancolombia Puerto Rico Internacional Inc. and Banco Agrícola (Panama) S.A. provide a complete line of offshore banking services to Colombian and Salvadorian customers, including loans to private sector companies, trade financing, lease financing, financing for industrial projects as well as a complete portfolio of cash management products, such as checking accounts, international collections and payments. Through these Subsidiaries, the Bank also offers investment opportunities in U.S. dollars, savings and checking accounts, time deposits, and investment funds to its high net worth clients and private banking customers.

Leasing: This segment provides financial and operational leases, including cross-border and international leasing services to clients in Colombia as well as in Central America, Mexico and Brazil. Bancolombia offers these services through the following Subsidiaries: Leasing Bancolombia, Renting Colombia, Renting Perú S.A., Tempo Rent a Car S.A., Capital Investment Safi S.A, Suleasing International USA Inc., and Arrendadora Financiera S.A.

All Other Segments: This segment provides the following products and services: (i) Investment Banking services for corporate customers in areas such as mergers and acquisitions, project finance, issuances of debt and equity securities and syndicated loan transactions (ii) Brokerage and Asset Management (iii) Trust, and Insurance (iv) Bancassurance and (v) Pension Fund Management.

B.2. OPERATIONS

Year Ended December 31, 2009

(COP million)

	Retail and Small Business Banking	Corporate and Governmental Banking	Treasury	Offshore Commercial Banking	Leasing	All other Segments	Total
Revenues from external customers	1,065,859	180,124	400	5,873	279,657	389,202	1,921,115
Revenues and expenses from transactions with other operating segments of the Bank	(10,689)	83,076	(16,239)	44,466	55,538	293,685	449,837
Interest income	2,747,688	1,844,529	545,433	293,393	801,989	561,043	6,794,075
Provision for loans losses	901,005	260,122	25,357	9,810	176,790	22,906	1,395,990

Year Ended December 31, 2008

(COP million)

	Retail and Small Business Banking	Corporate and Governmental Banking	Treasury	Offshore Commercial Banking	Leasing	All other Segments	Total
Revenues from external customers	913,333	206,529	14,244	5,303	245,739	318,071	1,703,219
Revenues and expenses from transactions with other operating segments of the Bank	(11,117)	57,992	(5,175)	38,642	8,427	167,611	256,380
Interest income	2,730,204	1,839,523	602,931	260,652	848,623	1,024,001	7,305,934
Provision for loans losses	802,255	330,148	(11,261)	16,001	143,234	38,352	1,318,729

Year Ended December 31, 2007

(COP million)

	Retail and	Corporate	Treasury	Offshore	Leasing	All other	Total

	Small Business Banking	and Governmental Banking		Commercial Banking		Segments	
Revenues from external customers	801,924	179,491	(2,302)	11,858	84,086	261,692	1,336,749
Revenues and expenses from transactions with other operating segments of the Bank	(10,844)	25,309	10,655	148,783	1,345	317,738	492,986
Interest income	2,019,666	1,385,482	507,934	299,067	624,606	424,687	5,261,442
Provision for loans losses	421,576	187,766	(14,634)	19,271	108,538	26,111	748,628

For more information on the segment disclosure, see "Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP – x) Segment disclosure".

The following table sets forth Bancolombia's geographic revenues and long-term assets distribution as of December 31, 2009, 2008 and 2007:

	As of December 31,					
	2009		2008		2007	
	(COP million)					
Geographic Information	Revenues	Long-Term Assets (1)	Revenues	Long-Term Assets (1)	Revenues	Long-Term Asset (1)
Colombia	7,683,556	1,715,504	7,558,997	1,718,190	5,540,069	1,202,108
Panama and Cayman Islands	274,620	8,964	260,282	10,476	515,749	10,242
Puerto Rico	36,047	180	39,191	238	51,765	164
Perú	21,755	25,441	8,319	22,453	357	6,706
El Salvador	847,198	147,397	759,587	148,422	774,026	143,658
USA	44,459	108	42,770	199	48,010	115
Total	8,907,635	1,897,594	8,669,146	1,899,978	6,929,976	1,362,993
Eliminations of intersegment operations	(449,837)	11	(256,380)	2,674	(492,986)	11
Total, net	8,457,798	1,897,605	8,412,766	1,902,652	6,436,990	1,363,004

(1) Includes foreclosed assets, net and property, plant and equipment, net.

The following table summarizes and sets forth Bancolombia's total revenue over the last three fiscal years:

	2009	2008	2007
	(COP million)		
Revenues			
Revenues (1)	9,165,027	9,265,533	7,091,177
Non-operating income (2)	(257,392)	(596,387)	(161,201)
Elimination of intersegment revenues	(449,837)	(256,380)	(492,986)
Total revenues for reportable segments(3)	8,457,798	8,412,766	6,436,990

(1) Total revenues for reportable segments includes Revenues from external customers, revenues and expenses from transactions with other operating segments of the same enterprise and interest income.
(2) Non-operating income represents other income classified as revenue for segment reporting purposes.
(3) Total revenues for reportable segments include interest, fees, other services and other operating income.

B.3. DISTRIBUTION NETWORK

Bancolombia provides its products and services through a traditional branch network, sales and customer representatives as well as through mobile branches (or " Puntos de Atención Móviles "), non-banking correspondents, an ATM network, online and computer banking, telephone banking, mobile phone banking services, and PACs, among others. In addition, as of December 31, 2009, Bancolombia had a sales force of approximately 11,600 employees and transactions effected through electronic channels represented more than 87% of all transactions in 2009.

The following are the distribution channels offered by Bancolombia as of December 31, 2009:

Branch Network

As of December 31, 2009, Bancolombia's consolidated branch network consisted of 900 offices which included 859 from Bancolombia, 111 from Banagrícola and 65 from other subsidiaries.

Company	Number of branches 2009	Number of branches 2008
Bancolombia (unconsolidated)	713	717
Bancolombia Panamá	1	1
Bancolombia Miami	1	1
Leasing Bancolombia	12	10
Renting Colombia	4	4
Valores Bancolombia	8	7
Suvalor Panama	1	1
Banca de Inversión Bancolombia	2	2
Fiduciaria Bancolombia	6	6
Bancolombia Puerto Rico International Inc.	1	1
Factoring Bancolombia	5	5
Sufinanciamiento	8	8
Renting Peru S.A.C	1	1
RC Rent a Car S.A.S.	10	8
Inversiones CFNS	1	1
Banco Agrícola	101	107
Arrendadora Financiera S.A.	1	1
Credibac	1	-
Bursabac S.A. de C.V	1	1
AFP Crecer S.A.	6	6
Aseguradora Suiza Salvadoreña S.A.	1	1
Asesuisa Vida S.A.	1	1
Multienlace S.A.	-	-
Capital investments	1	-
Tempo Ltda	1	-
Leasing Peru	1	-
Total	889	890

Non-Banking Correspondents ("CNB")

A CNB is a scheme which allows non-financial institutions such as stores open to the public, to provide financial services and transactions in towns where banks and financial institutions have limited or no presence. As of December 31, 2009, there were a total of 540 non-banking correspondents.

Puntos de Atención Móviles ("PAM")

PAMs consist of commercial advisors who visit small towns periodically to offer Bancolombia's products and services. As of December 31, 2009, there were a total of 484 PAMs.

Kiosks

Kiosks, used in El Salvador, are located inside the Bank's agencies, malls, and other public places and are used to provide the Bank's clients the possibility of conducting a variety of self-service transactions. As of December 31, 2009, there were a total of 154 kiosks.

Automatic Teller Machines ("ATM")

Bancolombia has a total of 2,669 ATMs, including 2,271 machines in Colombia and 398 ATMs in El Salvador.

Online/computer banking

We offer multiple online and computer based banking alternatives designed to fit the specific needs of our different client segments. Through a variety of platforms (computer and internet based solutions) our clients can review their account balances and monitor transactions in their deposit accounts, loans, and credit cards, make virtual term investments, access funds from pre-approved loans, make payroll and supplier payments, make purchases and bill payments, learn about products and services and complete other transactions in real time.

Telephone Banking

We provide customized and convenient advisory services to customers of all segments through automatic interactive voice reponse ("IVR") operations and a 24x7 contact center.

Punto de Atención Cercano ("PAC") or EFTPOS ("Electronic Funds Transfer at Point of Sale")

Through our own network of 8,049 PACs our customers may carry out a variety of transactions including transfer of funds, bill payments, and changes to credit and credit card PINs.

Mobile Phone Banking Service:

Our clients can conduct a variety of transactions using their cell phones, including fund transfers between Bancolombia accounts, account balance inquiries, purchase of prepaid cell phone air time and payment of bills and invoices.

B.4. COMPETITION

Description of the Colombian Financial System

Overview

In recent years, the Colombian banking system has been undergoing a period of consolidation given the series of mergers and acquisitions that have taken place within the sector. More specifically, several mergers and acquisitions took place in 2005, including the Conavi/Corfinsura merger, the acquisition of Banco Aliadas by Banco de Occidente, the merger of Banco Tequendama and Banco Sudameris, as well as the merger of the Colmena and the Caja Social banks. The trend towards mergers and acquisitions continued throughout 2006, with the completion of certain transactions first announced during 2005. These include the acquisition of Banco Superior by Davivienda, of Banco Granahorrar by BBVA Colombia and of Banco Unión by Banco de Occidente. Also during 2006, Banco de Bogota acquired Megabanco and Davivienda announced its acquisition of Bancafé. In 2007, HSBC acquired Banitsmo and Bancolombia also completed the acquisition of Banagrícola in El Salvador. For more information on the acquisition of Banagrícola, see "Item 4. Information on the Company – 4.A. History and Development of the Company." In 2008 the Royal Bank of Scotland (RBS) purchased the Colombian arm of ABN Amro Bank and General Electric (GE) Money acquired a 49.7% stake in Colpatria, with an option of increasing this stake by another 25% by 2012.

As of December 31, 2009, and according to the Superintendency of Finance, the principal participants in the Colombian financial system were the Central Bank, 18 commercial banks (ten domestic banks, seven foreign banks, and one state-owned bank), three finance corporations and 28 financing companies (10 leasing companies and 18 traditional financing companies). In addition, trust companies, cooperatives, insurance companies, insurance brokerage firms, bonded warehouse, special state-owned institutions, pension and severance pay funds also participate in the Colombian financial system.

The Financial Reform Act of 2009 (Law 1328 passed July 15, 2009) also made important advances towards a multi-banking framework. This new legislation authorized banks to provide merger and acquisition loans and allowed them to conduct financial leasing operations. As a result, some competitors have absorbed their financial leasing subsidiaries into their banking franchises.

Financial System Evolution in 2009

According to the Superintendency of Finance, the Colombian financial system's loan portfolio increased 1.9% in 2009, down from 18.2% in 2008. This slowdown in the credit market mostly affected commercial loans which grew more slowly, increasing 0.14% in 2009 compared with 21.6% in 2008. Consumer loans for Colombia's financial system grew at a lower rate in 2009, going from 11.5% in 2008 to 1.7% in 2009. The Colombian government's subsidized interest rate program for new housing loans, which was implemented in the second quarter of 2009, led to year-end growth of 11.1%, or 67 basis points higher than the previous year. The financial system's mortgage loan portfolio Microcredit loans were vibrant during the year, growing at annual rate of 24.2%.

The banking system's level of past due loans as a percentage of the total loan portfolio increased slightly throughout the year, going from 4.04% in December 2008 to 4.11% for the same month in 2009. In addition, coverage, measured as the ratio of allowances to past due loans, ended 2009 at 136.5%, compared with 120.5% at the end of 2008.

During 2009, there was a re-composition of the financial system's assets in favor of the investment portfolio. Loans decreased from 64.6% of total assets at the end of 2008 to 60.2% at the end of 2009. The investment portfolio as a percentage of total assets increased from 18.1% at the end of 2008 to 21.8% at the end of 2009.

As of December 2009, the Colombian financial sector recorded COP 232 trillion in total assets, representing an 8.8% increase as compared to the same period in 2008. The Colombian financial system's total composition of assets shows banks with a market share of 87.23%, followed by financing companies with 9.82% and financial corporations with 2.95%.

As of December 31, 2009, the capital adequacy ratio (tier 1 + tier 2) for credit institutions was 14.7% (including banks, finance corporations and financing companies), which is well above the minimum legal requirement of 9%.

Bancolombia and its Competitors

The following table shows the key profitability, capital adequacy ratios and loan portfolio quality indicators for Bancolombia and its main competitors, as published by the Superintendency of Finance. It is important to note that, in the case of mortgages, past due loans used in the calculation shown below incorporate the past due installments, instead of the complete mortgage balance, whenever a mortgage is due in less than 120 days.

	ROE*		ROA**		Past due loan/ Total loans		Allowances/ Past due loans		Capital Adequacy	
	Dec-09	Dec-08	Dec-09	Dec-08	Dec-09	Dec-08	Dec-09	Dec-08	Dec-09	Dec-08
Bancolombia (unconsolidated)	14.4%	17.7%	2.4%	2.6%	3.13%	3.07%	184.51%	164.36%	17.3%	14.8%
Banco de Bogota	18.4%	23.2%	2.5%	2.6%	2.92%	2.50%	135.24%	137.01%	12.8%	10.3%
Davivienda	16.8%	17.8%	1.8%	1.9%	3.48%	4.01%	176.16%	147.41%	12.4%	13.3%
BBVA	18.1%	20.2%	1.9%	1.8%	5.03%	4.24%	112.87%	102.00%	12.4%	11.0%
Banco de Occidente	18.6%	24.0%	2.6%	2.6%	3.94%	3.99%	143.66%	132.68%	11.1%	10.6%
Banco Popular	23.0%	26.2%	2.8%	2.6%	3.20%	2.81%	145.25%	158.68%	12.7%	12.9%
Citibank	17.5%	15.5%	3.0%	2.6%	6.08%	6.03%	117.74%	107.69%	16.8%	14.5%

Source: Superintendency of Finance.

* ROE is return on average stockholders' equity.

** ROA is return on average assets.

In 2009, Bancolombia ranked first in Colombia and El Salvador in terms of assets, deposits, stockholders' equity and net income.

The following charts illustrate the market share of Bancolombia and its main competitors with respect to various key products, based on figures published by the Superintendency of Finance for the years ended December 31, 2009, 2008 and 2007:

Total Net Loans
Market Share

Total Net Loans – Market Share %	2009	2008	2007
Bancolombia	20.29	21.99	21.70
Bogotá	14.46	14.69	14.09
Davivienda	13.29	11.93	12.22
BBVA	9.53	11.30	11.11
Occidente	6.37	6.52	6.69
Popular	5.41	4.76	4.92
Citibank	2.95	3.39	4.00

S ource: Ratios are calculated by Bancolombia based on figures published by the Superintendency of Finance.

Checking Accounts
Market Share

Checking Accounts – Market Share %	2009	2008	2007
Bancolombia	22.19	22.12	22.61
Bogotá	18.33	19.28	19.15
Occidente	14.65	13.78	14.15
BBVA	10.16	8.97	9.91
Davivienda	9.47	9.38	9.84
Popular	4.24	5.28	4.76
Citibank	2.69	2.47	2.56

Source: Ratios are calculated by Bancolombia based on figures published by the Superintendency of Finance.

Time Deposits
Market Share

Time Deposits – Market Share %	2009	2008	2007
Bancolombia	17.51	15.54	15.09
Bogotá	15.72	14.22	12.95
Davivienda	13.03	12.56	14.57
BBVA	7.11	13.94	10.73
Citibank	4.96	4.31	5.78
Popular	4.27	4.27	3.33
Occidente	4.12	4.25	3.77

Source: Ratios are calculated by Bancolombia based on figures from the Superintendency of Finance.

Saving Accounts
Market Share

Saving Accounts – Market Share %	2009	2008	2007
Bancolombia	20.47	21.59	19.95
Bogotá	15.05	13.24	12.26
Davivienda	13.26	12.58	13.24
BBVA	10.98	11.40	13.88
Popular	7.84	7.45	6.87
Occidente	6.99	6.95	6.57
Citibank	3.07	2.82	3.07

Source: Ratios are calculated by Bancolombia based on figures from the Superintendency of Finance.

Description of the Salvadorian Financial System

As of December 31, 2009, the Salvadorian financial system was comprised of 13 institutions (nine commercial banks, two state owned banks and two foreign banks).

The total Salvadorian financial system assets amounted to U.S. $13.1 billion in 2009, decreasing 4.3% as compared to the previous year. As of December 31, 2009, loans represented 65.1% of total assets in the Salvadorian financial system, while investments represented 14.2% and cash and due from banks represented 15.8%.

Banco Agrícola and its Competitors

In 2009, Banco Agrícola continued to lead the Salvadorian financial system and ranked first in terms of assets and profits. The following table shows the market share for the main institutions of the Salvadorian financial system for the year ended December 31, 2009:

MARKET
SHARE

	Assets	Loans	Deposits	Profits

	Stockholders' Equity				
Banco Agrícola	30.5%	31.7%	30.4%	30.7%	100.0%
Citi	20.1%	25.1%	17.9%	19.7%	(39.8)%
HSBC	14.6%	15.5%	14.4%	14.4%	7.0%
Scotiabank	15.6%	15.1%	17.6%	15.5%	10.9%
BAC	8.8%	7.7%	9.4%	8.8%	12.4%
Others	10.3%	9.7%	10.4%	11.0%	9.6%

Source: ABANSA (Asociación Bancaria Salvadoreña).

B.5. SUPERVISION AND REGULATION

Colombian Banking Regulators

Pursuant to the Colombian Constitution of 1991, Colombia's National Congress has the power to prescribe the general framework within which the government may regulate the financial system. The governmental agencies vested with the authority to regulate the financial system are the board of directors of the Central Bank, the Colombian Ministry of Finance and Public Credit ("Ministry of Finance") and the Superintendency of Finance.

Central Bank

The Central Bank exercises the customary functions of a national central bank, including price stabilization, legal currency issuance, regulation of currency circulation, credit and exchange rate monitoring and administration of international reserves. Its board of directors is the regulatory authority for monetary, currency exchange and credit policies and is responsible for the direction and execution of the Central Bank's duties. The Central Bank also acts as a lender of last resort to financial institutions. Pursuant to the Colombian Constitution of 1991, the Central Bank has autonomy from the government in the formulation of monetary policy and for administrative matters.

Ministry of Finance and Public Credit

The Ministry of Finance designs, coordinates, regulates and executes economic policy, in order to insure the proper administration of public finances for the economic and social development of the country. As part of its duties, the Ministry of Finance issues decrees and regulations related to financial, taxation, customs, public credit and budgetary matters that may affect banking operations in Colombia.

Superintendency of Finance

The Superintendency of Finance is a technical branch of the Ministry of Finance that acts as the inspection, supervision and control authority of the financial, insurance and securities exchange sectors and any other activities related to the investment or management of the public's savings. Financial institutions must obtain the authorization of the Superintendency of Finance before initiating operations. As a financial institution, Bancolombia and its Colombian Subsidiaries that are financial entities, finance corporations, commercial finance companies, trust companies and brokerage firms, are each subject to the supervision and regulation of the Superintendency of Finance.

Regulatory Framework for Colombian Banking Institutions

The basic regulatory framework for the operation of the Colombian financial sector is set forth in Decree 663 of 1993, modified among others, by Law 510 of 1999, Law 546 of 1999, Law 795 of 2003 and Law 964 of 2005. Laws 510 and 795 substantially modified the control, regulation and surveillance powers of the Superintendency of Banking (now Superintendency of Finance). Law 510 also streamlined the procedures for the Fondo de Garantías de Instituciones Financieras("Fogafin"), an agency that assists troubled financial institutions and intervenes on behalf of economically troubled companies. Law 546 of 1999 was enacted in order to regulate the system of long-term home loans. Afterwards, Law 795 was enacted with the main purpose of broadening the scope of activities to be performed by financial institutions and to update Colombian regulations with the latest principles of the Basel Committee. Law 795 also increased the minimum capital requirements in order to incorporate a financial institution and authorized the Superintendency of Finance to take precautionary measures, consisting mainly in interventions with respect to financial institutions whose capital falls below certain thresholds. In order to implement and enforce the provisions related to Colombia's financial system, the Superintendency of Finance and the board of directors of the Central Bank issue periodic circulars and resolutions. By means of External Circular 007 of 1996, as amended, the Superintendency of Finance compiled all the rules and regulations applicable to financial institutions. Likewise, by means of External Circular 100 of 1995, as amended ("Basic Accounting Circular"), the Superintendency of Finance compiled all regulations applicable to the accounting and financial treatment of banking financial institutions.

On July 15, 2009, Law 1328 was enacted, which integrated the financial consumer protection rules in one single body. This law established principles that govern relations between consumers and financial institutions, consumers' rights and duties, as well as special obligations and liabilities for financial institutions. It also established rules regarding information that must be given to financial consumers and listed certain conducts that are considered abusive practices that are forbidden to financial institutions. In addition, Law 1328 ordered financial institutions to develop consumer education campaigns and programs. Law 1328, also made important advancements toward a multi-banking framework, and authorized banks to (i) provide loans for mergers and acquisitions activity and (ii) conduct operational and financial leasing operations, directly (Banks participated in the financial leasing business through subsidiaries).

Colombian commercial banks, finance corporations and finance companies are required to report to the Central Bank, on a weekly basis, data regarding the total volume (in pesos) of certificates of deposit issued during the prior week and the average interest rates paid for certificates of deposit with maturities of 90 days. Based on such reports, the Central Bank calculates the Tasa de Captaciones de Corporaciones Financieras("TCC") and the Depósitos a Término Fijo ("DTF") rates, which are published at the beginning of the following week for use in calculating interest rates payable by financial institutions. The Central Bank also calculates the Indicador Bancario de Referencia ("IBR"), which acts as a reference of overnight and one-month interbank loans, based on quotations submitted on every business day by eight participating banks to the Central Bank.

Capital Adequacy Requirements

Capital adequacy requirements for Colombian financial institutions (as set forth in Decree 1720 of 2001, as amended) are based on the Basel Committee standards. The capital adequacy requirements establish four categories of assets, which are each assigned different risk weights, and require that a credit institution's Technical Capital (as defined below) be at least 9% of that institution's total risk-weighted assets.

Technical Capital for the purposes of the capital adequacy requirements consists of basic capital ("Primary Capital" or Tier 1) and additional capital ("Secondary Capital" or Tier 2) (collectively, "Technical Capital"). Primary Capital consists mainly of: (i) outstanding and paid-in capital stock; (ii) legal and other reserves; (iii) profits retained from prior fiscal years; (iv) the total value of the reappraisal of equity account (revalorización del patrimonio) (if positive) and of the foreign currency translation adjustment account (ajuste por conversi ón de estados financieros); (v) current fiscal year profits in a proportion equal to the percentage of prior fiscal year profits that were capitalized, or allocated to increase the legal reserve, or all profits that must be used to cover accrued losses; (vi) any shares held as guarantee by Fogafin when the entity is in compliance with a recovery program aimed at bringing the Bank back into compliance with capital adequacy requirements (if the Superintendency of Finance establishes that such recovery program has failed, these shares shall not be taken into account when determining the Primary Capital); (vii) subordinated bonds issued by financial institutions and subscribed by Fogafin when they comply with the capital adequacy requirements; (viii) the part of the surplus capital account from donations that complies with the capital adequacy requirements; (ix) the value of declared dividends to be paid in shares; and (x) the value of the liabilities owed by minority interests.

Items deducted from Primary Capital include: (i) any prior or current period losses; (ii) the total value of the capital revaluation account (if negative); (iii) accumulated inflation adjustment on non-monetary assets (provided that the respective assets have not been transferred); (iv) investments in shares, mandatory convertible bonds, subordinated bonds that may be convertible into shares or subordinated debt instruments issued by entities (excluding subsidiaries) subject to the supervision of the Superintendency of Finance excluding appraisals and investments in Finagro credit establishments and investments undertaken pursuant to article 63 of Decree 663 of 1993, subject to the conditions set forth in the regulation; and (v) investments in shares, mandatory convertible bonds, subordinated bonds that may be convertible into shares or subordinated debt instruments issued by foreign financial institutions where the investor directly or indirectly holds at least 20% of the capital of said institution (excluding subsidiaries). This amount includes foreign currency translation and excludes appraisals.

Secondary Capital consists of other reserves and retained earnings, which are added to the Primary Capital in order to establish the total Technical Capital. Secondary Capital includes: (i) 50% of the accumulated inflation adjustment of non-monetary assets (provided that such assets have not been disposed of); (ii) 50% of asset reappraisal (excluding revaluations of foreclosed assets or assets received as payment of credits); (iii) mandatory convertible bonds effectively subscribed and paid, with maturities of up to five years, provided that the terms and conditions of their issuance were approved by the Superintendency of Finance and subject to the conditions set forth by the Superintendency of Finance; (iv) subordinated monetary obligations as long as said obligations do not exceed 50% of Primary Capital and comply with additional requirements stated in the regulations; (v) the part of the surplus capital account from donations in compliance with the requirements set forth in the applicable regulation; and (vi) general allowances made in accordance with the instructions issued by the Superintendency of Finance.The following items are deducted from Secondary Capital: (i) 50% of the direct or indirect capital investments (in entities subject to the supervision of the Superintendency of Finance excluding subsidiaries) and mandatory convertible bonds reappraisal, in compliance with the requirements set forth in the applicable regulation; (ii) 50% of the direct or indirect capital investments (excluding subsidiaries) and mandatory convertible bonds reappraisal, of foreign financial entities with respect to which the Bank's share is or exceeds 20% of the entity's subscribed capital and (iii) the value of the devaluation of equity investments with low exchange volume or which are unquoted.

In computing Technical Capital, Secondary Capital may not exceed the total amount of Primary Capital.

The following table sets forth certain information regarding the Bank's consolidated capital adequacy as of December 31, 2009:

		As of December 31, 2009		As of December 31, 2008
		(COP million, except percentages)		
Subscribed capital	COP	460,684	COP	460,684
Legal reserve and other reserves		4,697,355		3,975,021
Unappropriated retained earnings		106,380		135,292
Net Income		648,786		594,083
Subordinated bonds subscribed by Fogafin		2,449		4,897
Less:				
Long - term investments		(91,808)		(79,678)
Non - monetary inflation adjustment		(97,527)		(118,544)
Primary capital (Tier I)	COP	5,726,319	COP	4,971,755
Reappraisal of assets	COP	201,329	COP	162,932
Provision loans		35,899		97,034
Non-monetary inflation adjustment		53,457		63,967
Subordinated bonds		1,269,292		949,936
Computed secondary capital (Tier II)	COP	1,559,977	COP	1,273,869
Primary capital (Tier I)	COP	5,726,319	COP	4,971,755
Secondary capital (up to an amount equal to primary capital) (Tier II)		1,559,977		1,273,869
Technical Capital	COP	7,286,296	COP	6,245,624
Capital ratios				
Primary capital to risk-weighted assets (Tier I)		10.40%		8.95%
Secondary capital to risk-weighted assets (Tier II)		2.83%		2.29%

Technical capital to risk-weighted assets		13.23%		11.24%
Risk-weighted assets including market risk	COP	55,084,655	COP	55,542,485

As of December 31, 2009, the Bank's technical capital ratio was 13.23%, exceeding the requirements of the Colombian government and the Superintendency of Finance by 423 basis points. As of December 31, 2008, the Bank's technical capital ratio was 11.24%. Higher retained earnings and additional capital generated by operations primarily explain the increase in the capital adequacy ratio during the year.

Liquidity risks and market risks are currently governed by the Basic Accounting Circular, issued by the Superintendency of Finance. Since January 2002, Colombian banks have been required to calculate a VaR (value at risk) which is considered in the Bank's solvency calculation with a methodology provided by the Superintendency of Finance in accordance with Decree 1720 of 2001. Future changes in VaR requirements could have a material impact on the Bank's operations. According to the Superintendency of Finance, the financial institutions must maintain a ratio between its Technical Capital and credit/market risk-weighted assets of more than 9%.

Bancolombia's loan portfolio, net of provisions, is 100% weighted as risk-weighted assets.

Foreign Currency Position Requirements

Colombia's Central Bank regulates the amount of currency exposure permitted to financial institutions as part of the measures that control and limit the economy's aggregate currency mismatch.

Among others, Colombia's central bank regulations provide that the average of a bank's foreign currency long position for the last three business days cannot exceed the equivalent in pesos of 20% of the bank's Technical Capital. In the case of short positions, currency exchange intermediaries such as Bancolombia are permitted to hold a three business days' average short Foreign Currency Position not exceeding the equivalent in pesos of 5% of its Technical Capital. Any breach of such regulations results in penalties that are payable after the first business day. Foreign Currency Position (posición propia en moneda extranjera) is defined as the difference between such institution's foreign currency-denominated assets and liabilities (including any off-balance sheet items), realized or contingent, including those that may be sold in Colombian legal currency. Regarding Foreign Currency Position in cash (posición propia de contado en moneda extranjera), which is defined as the difference between all foreign currency-denominated cash assets and liabilities, there are restrictions that provide that a bank's last three business days' average foreign currency long position in cash cannot exceed 50% of the bank's Technical Capital and that the Foreign Currency Position in cash cannot be negative (short). There are additional restrictions with regard to gross position of leverage, which is defined as the sum of (i) the value of term contracts denominated in foreign currency; (ii) the value of transactions denominated in foreign currency to be settled within two days in cash and (iii) the value of the exchange rate risk exposure associated with exchange rate options and derivatives. The gross position of leverage cannot exceed 550% of the Technical Capital of a bank.

Reserve Requirements

Commercial banks are required by the Central Bank's board of directors to satisfy reserve requirements with respect to deposits. Such reserves are held by the Central Bank in the form of cash deposits and the required amounts vary. According to the Central Bank's board of directors' Resolution 5 of 2008 and Resolution 11 of 2008, the reserve requirements for Colombian banks as of December 31, 2009 are:

	Ordinary Reserve Requirements %
Private demand deposits	11.0
Government demand deposits	11.0
Other deposits and liabilities	11.0
Savings deposits	11.0
Time deposits (1)	4.5

(1) 4.5 % for deposits with maturities fewer than 540 days and 0% for deposits with maturities above 540 days.

Foreign Currency Loans

According to regulations issued by the Central Bank, every Colombian resident and institution borrowing funds in foreign currency must post with the Central Bank a non-interest bearing deposit for a percentage of the respective indebtedness during a term specified by the Central Bank's board of directors.

Pursuant to Resolution 10 of October 9 of 2008 of the board of directors of the Central Bank, the percentage of deposit required for the foreign capital portfolio investments is now zero percent (0%).

Non-Performing Loan Allowance

The Superintendency of Finance has issued guidelines on non-performing loan allowances for Colombian credit institutions. See "Item 4. Information on the Company – E. Selected Statistical Information – E.4. – Summary of Loan Loss Experience – Allowance for Loan Losses".

Lending Activities

Through the issuance of Decrees 2360 and 2653 of 1993, as amended, the Colombian government set the maximum amounts that each financial institution may lend to a single borrower. These maximum amounts may not exceed 10% of a commercial bank's Technical Capital. The limit is raised to 25% when any amounts lent above 5% of Technical Capital are secured by guarantees that comply with the financial institutions' guidelines, in accordance with the requirements set forth in Decrees 2360 and 2653. Also, according to Decree 1886 of 1994, a bank may not make a loan to any stockholder that holds directly more than 10% of its capital stock for one year after such stockholder reaches the 10% threshold. In no event may a loan to a stockholder holding directly or indirectly 20% or more of a bank's capital stock exceed 20% of a bank's Technical Capital. In addition, no loan to a single financial institution may exceed 30% of a bank's Technical Capital, with the exception of loans funded by Colombian development banks which have no limit. As of December 31, 2009, the Bank's lending limit per borrower on an unconsolidated basis was COP 655,111 million for unsecured loans and COP 1,637,777 million for secured loans. If a financial institution exceeds these limits, the Superintendency of Finance may impose a fine up to twice the amount by which any such loan exceeded the limit at such date, the Bank was in compliance with these limitations.

Decree 2360 set a maximum limit for risk concentrated in one single party, equivalent to 30% of a bank's Technical Capital, the calculation of which includes loans, leasing operations and equity and debt investments.

Interest Rate Caps or Limitations

In Colombia no person or institution can charge an interest rate greater than one and a half times the financial system's ordinary interest rate, which is calculated and certified by the Superintendency of Finance every three months. Banks that charge greater interest rates than the ones mentioned above would commit a crime and would be forced to reverse interests charged in excess of the permitted rate. As of March 2010, the interest rate cap was 24.21% for consumer and ordinary loans and 33.93% for microcredit.

Ownership Restrictions

The Bank is organized as a stock company (sociedad anónima), and its corporate existence is subject to the rules applicable to commercial companies, principally the Colombian Commerce Code and Law 222 of 1995. Pursuant to Decree 663 of 1993 (as amended by Law 795 of 2003) any transaction resulting in an individual or corporation holding 10% or more of any class of capital stock of any Colombian financial institution is subject to the prior authorization of the Superintendency of Finance, including in the case of Bancolombia, transactions resulting in holding ADRs representing 10% or more of the outstanding stock of Bancolombia. Transactions entered into without the prior approval of the Superintendency of Finance are null and void and cannot be recorded in the institution's stock ledger. These restrictions apply equally to Colombian and foreign investors.

In addition, pursuant to Article 1.2.5.6 of Resolution 400 of 1995, as amended, issued by the former Superintendency of Finance, any entity or group of entities ultimately representing the same beneficial owner, directly or through one or more intermediaries, may only become the beneficial owner of more than 25% of the outstanding common stock of a company that is publicly traded in Colombia by making a tender offer directed to all holders of the common stock of that company, following the procedures established by the Superintendency of Finance. Moreover, any beneficial owner of more than 25% of the outstanding common stock of a company who wants to acquire additional common stock of the company representing more than 5% of the company's outstanding common stock may only do so by making a tender offer directed to all holders of the company's common stock in accordance with the procedures established by the Superintendency of Finance. These requirements need not be met if (i) the purchase is approved by 100% of the holders of the outstanding capital stock of the company; (ii) the purchaser acquires the percentages indicated above through a public stock auction made on the Colombian Stock Exchange; (iii) the company reacquires its own shares; or (iv) when the company issues common stock, among others pursuant to Article 1.2.5.7 of Resolutions 400 of 1995, as amended, of the Superintendency of Finance. Any transaction involving the sale of publicly-traded stock of any Colombian company, including any sale of the Bank's preferred shares (but not a sale of ADRs) for the peso-equivalent of 66,000 UVRs or more must be effected through the Colombian Stock Exchange.

Intervention Powers of the Superintendency of Finance – Bankruptcy Considerations

Pursuant to Colombian Banking Law, the Superintendency of Finance has the power to intervene in the operations of a bank in order to prevent it from, or to control and reduce the effects of, a bank failure.

Accordingly, the Superintendency of Finance may (i) intervene in a bank's business prior to the liquidation of the bank, by taking precautionary measures (medidas cautelares) in order to prevent the bank from incurring in a cause for the taking of possession by the Superintendency of Finance or (ii) take possession of the bank (toma de posesión) ("Taking of Possession"), to either administer the bank or order its liquidation, depending on how critical the Superintendency of Finance believes situation to be.

During the Taking of Possession (which period ends when the liquidation process begins), Colombian Banking Laws prevent any creditor of the bank from: (i) initiating any procedure for the collection of any amount owed by the Bank; (ii) enforcing any judicial decision rendered against the bank to secure payment of any of its obligations; (iii) registering a lien or attachment over any of the assets of the bank to secure payment of any of its obligations; or (iv) making any payment, advance or compensation or assume any obligation on behalf of the bank, with the funds or assets that may belong to it and are held by third parties, except for payments that are made by way of set-off between regulated entities of the Colombian financial and insurance systems. In the event that the bank is liquidated, the Superintendency of Finance must, among other measures, provide that all term obligations owed by the bank are due and payable as of the date when the order to liquidate becomes effective.

Troubled Financial Institutions – Deposit Insurance

In response to the crisis faced by the Colombian financial system during the early 1980s, the Colombian government created Fogafin in 1985. Subject to specific limitations, Fogafin is authorized to provide equity (whether or not reducing the par value of the recipient's shares) and/or secured credits to troubled financial institutions, and to insure deposits of commercial banks and certain other financial institutions. In 1998 and 1999, to address the adverse effects of the economic crisis, Law 550 (Ley de Reactivación Económica), Law 546 (Ley de Vivienda), External Circular 039 and External Circular 044 were also adopted. These regulations sought to aid the recovery of the Colombian economy, by helping troubled companies. At the same time, these regulations had some influence on the Bank's credit policies with regard to troubled companies. In order to protect the customers of commercial banks and certain financial institutions, Resolution No. 1 of 1988 of the board of directors of Fogafin, as amended, requires mandatory deposit insurance.

Anti-Money Laundering Provisions

The regulatory framework in Colombia to prevent and control money laundering is based on requirements promulgated by the Financial Task Force on Money Laundering (“FATF”). The former rules emphasise “know your customer” policies as well as complete knowledge by financial institutions of their users and markets. They also establish processes and parameters to identify and monitor the financial institution’s customers, unusual operations and to report suspicious operations to the UIAF (Unidad de Informacion y Analisis Financiero).

The Colombian regulations include procedures to protect financial institutions from being used directly by stockholders, executives and depositors in money laundering activities, for channeling funds for terrorist activities, or for the concealment of assets from such activities and set forth detailed requirements for monitoring these risks. These regulations regarding prevention and control of money laundering are applicable to the Bank and its Subsidiaries.

Additionally, Colombian regulations has criminal rules and regulations to prevent, control, detect, eliminate and judge all matters related to financing terrorism and money laundering. These criminal rules and regulations cover the omission of reports on cash transactions, mobilization or storage of cash, and the lack of controls.

Regulatory Framework for Subsidiaries Not participant of the Financial Sector

All of Bancolombia's Colombian subsidiaries that are not part of the finance sector are governed by the laws and regulations stipulated in the Colombian Civil Code and the Colombian Code of Commerce as well as any regulations issued by the Colombian Superintendency of Industry and Commerce and the Superintendency of Corporations or any other type of special regulations that may be applicable to the commercial and industrial activities carried out by said subsidiaries.

Individuals or corporations that wish to hold an interest greater than 10% or more of the capital stock of any Colombian financial institution requires prior authorization from the Superintendency of Finance.

Pursuant to Colombian banking regulations, any transaction resulting in an individual or a corporation holding 10% or more of the capital stock of any Colombian financial institution requires prior authorization from the Superintendency of Finance, including, in the case of the Bank, transactions in ADRs representing 10% or more of the Bank's outstanding stock. Transactions entered into without the prior approval of the Superintendency of Finance are null and void, and cannot be recorded in the relevant institution's stock ledger. In addition to the above restrictions, pursuant to Colombian securities regulations, any transaction involving the sale of publicly-traded stock of any Colombian company, including any sale of preferred shares (but not a sale of ADRs) or common shares, for the equivalent of 66,000 UVRs or more, must be effected through the Bolsa de Valores de Colombia (the Colombian Stock Exchange).

Banking Regulation of El Salvador

The Salvadorian Superintendency of Finance is the entity responsible for the surveillance, inspection and control of the banking activity in El Salvador.

Pursuant to Article 3 of Decree 628 of 1997, the Salvadorian Superintendency of Finance: (i) fulfills and enforces the laws, regulations and other legal provisions applicable to the central bank of El Salvador and the other entities subject to its surveillance; (ii) issues the set of laws or regulations to be followed by the institutions under its control; (iii) authorizes the establishment, operation, intervention and closure of banks, savings and loan associations, insurance companies and other entities as established by law (iv) supervises and examines the operations of the institutions under its control and (v) oversees compliance with law.

Banking Law of El Salvador

The Legislature of the Republic of El Salvador establishes the banking law through Decree 697 of 1999, which regulates the financial intermediation and other operations performed by the banks.

The banks are required to establish a reserve requirement, set by the Salvadorian Superintendency of Finance in accordance to the deposits and obligations of such bank.

Since January 2010, a new regulation for the credit card system was established by the Legislative Body of El Salvador. This law regulates the relations between all participants in the system, including the state. The Salvadorian Banking Superintendency and the Competitive Superintendency are both responsible to oversee the implementation of the Law.

This law prohibits issuers of credit cards from introducing provisions such as the ability to: (i) unilaterally modify the terms of the credit card agreement; (ii) charge different fees for the same service; (iii) impose fees to the cardholder associated with the issuer's efforts in conducting safety measures in case of loss, theft or card expiration; (iv) force the cardholder to purchase a service that is not related to the use of credit cards; and (v) capitalize overdue interest or fees into the outstanding balance used to calculate interest payments.

Monetary Integration Law of El Salvador

Since November 2000, El Salvador has used the U.S. dollar as its legal currency. The transition from the Colon (former currency) was enacted by the Monetary Integration Law. This law established a fixed exchange rate of 8.75 Colones per U.S. dollar. The Colon continues to have unrestricted legal circulation, but the central bank has been replacing it with the U.S. dollar any time colon bills and coins are presented for transactions.

Since the implementation of the Monetary Integration Law, all financial operations, such as bank deposits, loans, pensions, issuance of securities and any other made through the financial system, as well as the accounting records, must be expressed in U.S. dollars. The operations or transactions of the financial system made or agreed in colones before the effective date of the Monetary Integration Law are expressed in U.S. dollars at the exchange rate established in such law.

B.6. RAW MATERIALS

The Bank on a consolidated basis is not dependent on sources or availability of raw materials.

B.7. PATENTS, LICENSES AND CONTRACTS

The Bank is not dependent on patents or licenses, nor is it dependent on any industrial, commercial or financial contract individually considered (including contracts with customers or suppliers).

B.8. SEASONALITY OF DEPOSITS

Historically, the Bank has experienced some seasonality in its demand deposits, with higher average balances at the end of the year and lower average balances in the first quarter of the year. This behavior is explained primarily by the increased liquidity provided by the Central Bank at year end, as economic activity tends to be higher during this period resulting in a greater number of transactions. However, we do not consider the seasonality of demand deposits to have a significant impact on our business.

C. ORGANIZATIONAL STRUCTURE

The following are Bancolombia's main subsidiaries:

The following is a list of Bancolombia's subsidiaries as of December 31, 2009:

SUBSIDIARIES

Entity	Jurisdiction of Incorporation	Business	Shareholding directly and indirectly
Leasing Bancolombia S.A. Compañía de Financiamiento	Colombia	Leasing	100%
Leasing Perú S.A	Perú	Leasing	100%
Fiduciaria Bancolombia S.A. Sociedad Fiduciaria.	Colombia	Trust	98.81%
Fiduciaria GBC S.A.	Perú	Trust	98.82%
Bancolombia Panamá S.A.	Panama	Banking	100%
Bancolombia Caymán S.A.	Cayman Islands	Banking	100%
Sistema de Inversiones y Negocios S.A. Sinesa	Panama	Investments	100%
Sinesa Holding Company Ltda.	British Virgin Islands	Investments	100%
Future Net S.A	Panama	E-commerce	100%
Banca de Inversión Bancolombia S.A. Corporación Financiera	Colombia	Investment Banking	100%
Inmobiliaria Bancol S.A.	Colombia	Real estate broker	99.03%
Valores Simesa S.A.	Colombia	Investments	69.66%
Todo 1 Colombia S.A.	Colombia	E-commerce	89.92%
Compañía de Financiamiento Sufinanciamiento S.A.	Colombia	Financial services	99.99%
Renting Colombia S.A.	Colombia	Operating leasing	80.50%
Renting Perú S.A.C.	Perú	Operating leasing	80.60%
RC Rent a Car S.A.S	Colombia	Car Rental	80.50%
Capital Investments SAFI S.A.	Perú	Trust	80.60%
Fondo de Inversión en Arrendamiento Operativo Renting Perú	Perú	Car Rental	80.60%
Transportempo S.A.S.	Colombia	Transportation	80.50%
Suleasing Internacional USA Inc	USA	Leasing	100%
Inversiones CFNS Ltda.	Colombia	Investments	100%
Valores Bancolombia S.A. Comisionista de Bolsa	Colombia	Securities brokerage	100%

Entity	Jurisdiction of Incorporation	Business	Shareholding directly and indirectly
Valores Bancolombia Panamá S.A.	Panama	Securities brokerage	100%
Suvalor Panamá Fondo de Inversión S.A.	Panama	Holding	100%
Bancolombia Puerto Rico Internacional, Inc	Puerto Rico	Banking	100%
Inversiones Valores y Logística S.A. "En Liquidación"	Colombia	Investments	98.25%
Factoring Bancolombia S.A. Compañía de Financiamiento	Colombia	Financial services	100%
Patrimonio Autónomo CV Sufinanciamiento	Colombia	Loan management	100%
Banagrícola S.A.	Panama	Investments	99.16%
Banco Agrícola Panamá S.A.	Panama	Banking	99.16%
Inversiones Financieras Banco Agrícola S.A. IFBA	El Salvador	Investments	98.87%
Banco Agrícola S.A.	El Salvador	Banking	97.28%
Arrendadora Financiera S.A. Arfinsa	El Salvador	Leasing	97.29%
Credibac S.A. de C.V.	El Salvador	Credit card services	97.28%
Bursabac S.A. de C.V.	El Salvador	Securities brokerage	98.87%
AFP Crecer S.A.	El Salvador	Pension fund	98.96%
Asesuisa S.A.	El Salvador	Insurance company	96.07%
Asesuisa Vida S.A.	El Salvador	Insurance company	96.07%

D. PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2009, the Bank owned COP 1,816.94 billion in property, plant and equipment (including assets that are part of our operating leasing business). COP 800.93 billion correspond to land and buildings, of which approximately 98.12% are used for administrative offices and branches in 58 municipalities in Colombia and 25 municipalities in El Salvador. COP 221.13 billion correspond to computer equipment, of which 65.30% relate to the central computer and servers of Bancolombia and the rest are PCs, ATMs, telecommunications equipment and other equipment.

In addition to its own branches, the Bank occupies 482 rented offices.

The Bank does not have any liens on its property.

E. SELECTED STATISTICAL INFORMATION

The following information is included for analytical purposes and should be read in conjunction with the Bank's consolidated financial statements as well as Item 5. Operating and Financial Review and Prospects. This information has been prepared based on the Bank's financial records, which are prepared in accordance with Colombian GAAP and do not reflect adjustments necessary to state the information in accordance with U.S. GAAP. See Note 31 to the Bank's consolidated financial statements as of December 31, 2009 included in this Annual Report for a summary of the significant differences between Colombian GAAP and U.S. GAAP.

The consolidated selected statistical information for the years ended December 31, 2005 and December 31, 2006 includes the selected statistical information of Bancolombia and its subsidiaries, without reflecting any pro-forma calculation of the effect of Banagrícola's acquisition, while consolidated selected statistical information for the years ended December 31, 2007, December 31, 2008 and December 31, 2009 corresponds to the Bank and its Subsidiaries, including all additional subsidiaries acquired as a result of the Banagrícola acquisition.

E.1. DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL

Average balances have been calculated as follows: for each month, the actual month-end balances were established. The average balance for each period is the average of such month-end balances. For purposes of the presentation in the following tables, non-performing loans have been treated as non-interest-earning assets.

Average balance sheet

The following tables show for the years ended December 31, 2009, 2008 and 2007, respectively: (i) average annual balances calculated using actual month-end balances for all of the Bank's assets and liabilities; (ii) interest income and expense amounts; and (iii) nominal interest rates for the Bank's interest-earning assets and interest-bearing liabilities.

In addition, the interest rate subtotals are based on the weighted average of the average peso-denominated and U.S. dollar-denominated balances.

Average Balance Sheet and Income from Interest-Earning Assets for the Fiscal Years Ended December 31,

	2009			2008			2007		
	Average Balance	Interest Earned	Average Nominal Interest Rate	Average Balance	Interest Earned	Average Nominal Interest Rate	Average Balance	Interest Earned	Average Nominal Interest Rate
				(COP million, except percentages)					
ASSETS									
Interest-earning assets									
Overnight funds (2)									
Peso-denominated	823,303	59,257	7.2%	428,144	46,198	10.8%	120,768	8,251	6.8%
U.S. Dollar-denominated	1,155,871	15,612	1.4%	649,167	38,869	6.0%	828,449	86,761	10.5%
Total	1,979,174	74,869	3.8%	1,077,311	85,067	7.9%	949,217	95,012	10.0%
Investment securities									
Peso-denominated	5,461,175	647,324	11.9%	4,387,502	406,802	9.3%	3,769,877	302,408	8.0%
U.S. Dollar-denominated	2,210,185	81,234	3.7%	1,705,124	24,787	1.5%	1,534,254	114,236	7.4%
Total	7,671,360	728,558	9.5%	6,092,626	431,589	7.1%	5,304,131	416,644	7.9%
Loans and Financial Leases (1)									
Peso-denominated	31,577,872	4,714,337	14.9%	28,491,159	4,923,704	17.3%	23,450,352	3,453,571	14.7%
U.S. Dollar-denominated	11,457,889	909,934	7.9%	10,922,602	852,242	7.8%	7,291,171	824,869	11.3%
Total	43,035,761	5,624,271	13.1%	39,413,761	5,775,946	14.7%	30,741,523	4,278,440	13.9%
Total interest-earning assets									
Peso-denominated	37,862,350	5,420,918	14.3%	33,306,805	5,376,704	16.1%	27,340,997	3,764,230	13.8%
U.S. Dollar-denominated	14,823,945	1,006,780	6.8%	13,276,893	915,898	6.9%	9,653,874	1,025,866	10.6%
Total	52,686,295	6,427,698	12.2%	46,583,698	6,292,602	13.5%	36,994,871	4,790,096	12.9%
Total non-interest-earning assets									
Peso-denominated	7,440,325			6,277,291			5,025,959		
U.S. Dollar-denominated	2,502,976			2,260,525			1,174,093		
Total	9,943,301			8,537,816			6,200,052		
Total interest and non-interest-earning assets									
Peso-denominated	45,302,675	5,420,918		39,584,096	5,376,704		32,366,956	3,764,230	
U.S. Dollar-denominated	17,326,921	1,006,780		15,537,418	915,898		10,827,967	1,025,866	
Total Assets (COP)	62,629,596	6,427,698		55,121,514	6,292,602		43,194,923	4,790,096	

(1) Includes performing loans only.

(2) Overnight funds interest earned includes commissions and therefore differs from the concept in the consolidated statement of operations.

	Average Balance Sheet and Interest Paid on Interest-Bearing Liabilities for the Fi						
	December 31 ,						
	2009			2008			
	Average Balance	Interest Paid	Yield / Rate (1)	Average Balance	Interest Paid	Yield / Rate (1)	Average Bala
	(COP million, except percentages)						
LIABILITIES AND STOCKHOLDERS' EQUITY							
Interest-bearing liabilities:							
Checking deposits							
Peso-denominated	COP 625,108	COP 19,729	3.2%	COP 468,000	COP 16,012	3.4%	COP 348,1
U.S.Dollar-denominated	1,729,212	23,482	1.4%	1,733,507	23,245	1.3%	1,410,7
Total	2,354,320	43,211	1.8%	2,201,507	39,257	1.8%	1,758,8
Savings deposits							
Peso-denominated	11,919,042	431,126	3.6%	10,952,894	555,628	5.1%	10,309,0
U.S. Dollar-denominated	2,154,381	19,739	0.9%	1,880,546	34,090	1.8%	1,165,8
Total	14,073,423	450,865	3.2%	12,833,440	589,718	4.6%	11,474,8
Time deposits							
Peso-denominated	13,080,400	1,099,678	8.4%	10,276,935	1,015,373	9.9%	6,882,3
U.S. Dollar-denominated	7,402,123	276,889	3.7%	5,989,037	241,369	4.0%	4,071,6
Total	20,482,523	1,376,567	6.7%	16,265,972	1,256,742	7.7%	10,953,9
Overnight funds							
Peso-denominated	1,213,463	74,492	6.1%	1,301,213	123,638	9.5%	1,046,9
U.S. Dollar-denominated	493,706	19,607	4.0%	1,013,888	42,491	4.2%	401,5
Total	1,707,169	94,099	5.5%	2,315,101	166,129	7.2%	1,448,4
Borrowings from development and other domestic banks							
Peso-denominated	2,889,261	244,644	8.5%	3,036,553	332,747	11.0%	2,599,2
U.S.Dollar-denominated	437,439	8,198	1.9%	600,817	12,153	2.0%	291,1
Total	3,326,700	252,842	7.6%	3,637,370	344,900	9.5%	2,890,3
Interbank borrowings							
Peso-denominated	-	-		-	-		
U.S.Dollar-denominated	1,270,413	47,650	3.8%	1,578,252	74,792	4.7%	1,480,1
Total	1,270,413	47,650	3.8%	1,578,252	74,792	4.7%	1,480,1
Long-term debt							
Peso-denominated	2,413,103	256,721	10.6%	1,640,560	191,534	11.7%	1,258,6
U.S.Dollar-denominated	1,636,497	103,461	6.3%	1,493,208	90,270	6.0%	839,4
Total	4,049,600	360,182	8.9%	3,133,768	281,804	9.0%	2,098,1
Total interest-bearing liabilities							
Peso-denominated	32,140,377	2,126,390	6.6%	27,676,155	2,234,932	8.1%	22,444,2
U.S.Dollar-denominated	15,123,771	499,026	3.3%	14,289,255	518,410	3.6%	9,660,4
Total	47,264,148	2,625,416	5.6%	41,965,410	2,753,342	6.6%	32,104,7

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	Average Balance Sheet and Interest Paid on Interest-Bearing Liabilities for the Fisca Ended December 31 ,							
	2009			2008			2007	
	Average Balance	Interest Paid	Yield / Rate (1)	Average Balance	Interest Paid	Yield / Rate (1)	Average Balance	Inter
	(COP million, except percentages)							
Total interest and non-interest bearing liabilities and stockholders' equity								
Peso-denominated	45,380,776	2,126,390		39,524,490	2,234,932		32,325,570	
U.S.Dollar-denominated	17,248,820	499,026		15,597,024	518,410		10,869,353	
Total Liabilities and Stockholders' Equity	COP 62,629,596	COP 2,625,413		COP 55,121,514	COP 2,753,342		COP 43,194,923	COP

(1) See "Item 4 Information on the Company – E. Selected Statistical Information – E.1 Distribution of Assets, Liablilities and Stockholders' Equity; Interest Rates and Interest Differential"

CHANGES IN NET INTEREST INCOME AND EXPENSES—VOLUME AND RATE ANALYSIS

The following table allocates, by currency of denomination, changes in the Bank's net interest income to changes in average volume, changes in nominal rates and the net variance caused by changes in both average volume and nominal rate for the fiscal year ended December 31, 2009 compared to the fiscal year ended December 31, 2008; and the fiscal year ended December 31, 2008 compared to the fiscal year ended December 31, 2007. Volume and rate variances have been calculated based on movements in average balances over the period and changes in nominal interest rates on average interest-earning assets and average interest-bearing liabilities. Net changes attributable to changes in both volume and interest rate have been allocated to the change due to changes in volume.

	2008-2009 Increase (Decrease) Due To Changes in:			2007-2008 Increase (Decrease) Due To Changes in:		
	Volume	Rate	Net Change	Volume	Rate	Net Change
	(COP million)					
Interest-earning assets:						
Overnight funds						
Peso-denominated	28,441	(15,382)	13,059	33,167	4,780	37,947
U.S. Dollar-denominated	6,844	(30,101)	(23,257)	(10,735)	(37,157)	(47,892)
Total	35,285	(45,483)	(10,198)	22,432	(32,377)	(9,945)
Investment securities						
Peso-denominated	127,265	113,257	240,522	57,265	47,129	104,394
U.S. Dollar-denominated	18,563	37,884	56,447	2,484	(91,933)	(89,449)
Total	145,828	151,141	296,969	59,749	(44,804)	14,945
Loans						
Peso-denominated	460,823	(670,190)	(209,367)	871,128	599,005	1,470,133
U.S. Dollar-denominated	42,510	15,182	57,692	283,344	(255,971)	27,373
Total	503,333	(655,008)	(151,675)	1,154,472	343,034	1,497,506
Total interest-earning assets						
Peso-denominated	616,529	(572,315)	44,214	961,560	650,914	1,612,474
U.S. Dollar-denominated	67,917	22,965	90,882	275,093	(385,061)	(109,968)
Total	684,446	(549,350)	135,096	1,236,653	265,853	1,502,506
Interest-bearing liabilities:						
Checking deposits						
Peso-denominated	4,958	(1,241)	3,717	4,101	4,285	8,386
U.S. Dollar-denominated	(58)	295	237	4,328	(12,533)	(8,205)
Total	4,900	(946)	3,954	8,429	(8,248)	181
Savings deposits						
Peso-denominated	34,947	(159,449)	(124,502)	32,664	76,368	109,032
U.S. Dollar-denominated	2,509	(16,860)	(14,351)	12,956	6,293	19,249
Total	37,456	(176,309)	(138,853)	45,620	82,661	128,281
Time deposits						
Peso-denominated	235,689	(151,384)	84,305	335,394	118,983	454,377
U.S. Dollar-denominated	52,859	(17,339)	35,520	77,273	(91,596)	(14,323)
Total	288,548	(168,723)	119,825	412,667	27,387	440,054
Overnight funds						

Peso-denominated	(5,387)	(43,759)	(49,146)	24,164	(4,698)	19,466
U.S. Dollar-denominated	(20,658)	(2,226)	(22,884)	25,664	(10,128)	15,536
Total	(26,045)	(45,985)	(72,030)	49,828	(14,826)	35,002
Borrowings from domestic development banks						
Peso-denominated	(12,472)	(75,631)	(88,103)	47,918	30,202	78,120
U.S. Dollar-denominated	(3,062)	(893)	(3,955)	6,264	(7,196)	(932)
Total	(15,534)	(76,524)	(92,058)	54,182	23,006	77,188

	2008-2009 Increase (Decrease) Due To Changes in:			2007-2008 Increase (Decrease) Due To Changes in:		
	Volume	Rate	Net Change	Volume	Rate	Net Change
	(COP million)					
Interbank borrowings						
Peso-denominated	-	-	-	-	-	-
U.S. Dollar-denominated	(11,546)	(15,596)	(27,142)	4,649	(46,472)	(41,823)
Total	(11,546)	(15,596)	(27,142)	4,649	(46,472)	(41,823)
Long-term debt						
Peso-denominated	82,188	(17,001)	65,187	44,585	41,423	86,008
U.S. Dollar-denominated	9,059	4,132	13,191	39,523	(13,162)	26,361
Total	91,247	(12,869)	78,378	84,108	28,261	112,369
Total interest-bearing liabilities						
Peso-denominated	339,923	(448,465)	(108,542)	488,826	266,563	755,389
U.S. Dollar-denominated	29,103	(48,487)	(19,384)	170,657	(174,794)	(4,137)
Total (COP)	369,026	(496,952)	(127,926)	659,483	91,769	751,252

INTEREST-EARNING ASSETS — NET INTEREST MARGIN AND SPREAD

The following table presents the levels of average interest-earning assets and net interest income of the Bank and illustrates the comparative net interest margin and interest spread obtained for the fiscal years ended December 31, 2009, 2008 and 2007, respectively.

	Interest-Earning Assets-Yield For the Fiscal Year Ended December 31,		
	2009	2008	2007
	(COPmillions, except percentage s)		
Total average interest-earning assets			
Peso-denominated	37,862,350	33,306,805	27,340,997
U.S. Dollar-denominated	14,823,945	13,276,893	9,653,874
Total	52,686,295	46,583,698	36,994,871
Net interest earned (1)			
Peso-denominated	3,294,528	3,141,772	2,284,687
U.S.Dollar-denominated	507,754	397,488	503,319
Total	3,802,282	3,539,260	2,788,006
Average yield on interest-earning assets			
Peso-denominated	14.3%	16.1%	13.8%
U.S.Dollar-denominated	6.8%	6.9%	10.6%
Total	12.2%	13.5%	12.9%
Net interest margin (2)			
Peso-denominated	8.7%	9.4%	8.4%
U.S.Dollar-denominated	3.4%	3.0%	5.2%
Total	7.3%	7.7%	7.6%
Interest spread (3)			
Peso-denominated	7.7%	8.1%	7.2%
U.S.Dollar-denominated	3.5%	3.3%	5.2%

Total	6.6%	6.9%	6.7%

(1) Net interest earned is interest income less interest paid and includes interest earned on investments.
(2) Net interest margin is net interest income divided by total average interest-earning assets.
(3) Interest spread is the difference between the average yield on interest-earning assets and the average rate paid on interest-bearing liabilities.

E.2. INVESTMENT PORTFOLIO

The Bank acquires and holds investment securities for liquidity and other strategic purposes, or when it is required by law, including fixed income debt and equity securities.

The Superintendency of Finance requires investments to be classified as “trading”, “available for sale” or “held to maturity”. Trading investments are those acquired primarily to obtain profits from fluctuations in short-term prices and are recorded at market value. The difference between current and previous market value is added to or subtracted from the value of the investment and credited or charged to earnings. “Available for sale” investments are those held for at least one year and are recorded at market value with changes to the values of these securities recorded in a separate account in the equity section. “Held to maturity” investments are those acquired to be held until maturity and are valued at amortized cost.

As of December 31, 2009, The Bank’s investment portfolio was COP 8,382 billion.

In accordance with Chapter 1 of Circular 100 of 1995 issued by the Superintendency of Finance, investments in debt securities are fully reviewed for impairment in June and December and partially reviewed for impairment every three months in each case, by considering the related solvency risk, market exposure, currency exchange and country risk.

The following table sets forth the fair value of the Bank’s investments in Colombian government and corporate securities and certain other financial investments as of the dates indicated:

	As of December 31, (in millions of pesos)		
	2009 (1)(2)	2008 (1)(2)	2007 (1)(2)
Foreing currency-denominated			
Securities issued or secured by the Colombian Government	COP 206,806	COP 58,942	COP 208,275
Securities issued or secured by the El Salvador Central Bank	811,012	670,266	586,211
Securities issued or secured by government entities (3)	117,818	144,518	170,093
Securities issued or secured by other financial entities	93,371	69,125	152,968
Securities issued by foreign governments	717,640	687,557	450,484
Others	171,925	15,398	10,720
Subtotal	2,118,572	1,645,806	1,578,751
Peso-denominated			
Securities issued or secured by the Colombian Government	3,183,274	2,633,806	2,013,143
Securities issued or secured by the Colombian Central Bank	-	2	153
Securities issued or secured by government entities	854,620	609,129	445,912
Securities issued or secured by financial entities	2,143,165	1,849,069	1,414,412
Others	82,313	81,857	121,850
Subtotal	6,263,372	5,173,863	3,995,470
Total	COP 8,381,944	COP 6,819,669	COP 5,574,221

(1) Includes debt securities only. Net investments in equity securities were COP 532,969 million, COP 458,607 million and COP 200,030 million for 2009, 2008 and 2007 respectively.

(2) These amounts are net of allowances for decline in value which were COP 54,300 million for 2009, COP 20,927 million for 2008, COP 21,830 million for 2007, respectively.

(3) This amount includes investments in fiduciary certificates of participation. These certificates were issued for the Environmental Trust for the conservation of the Coffee Forest (Fideicomiso Ambiental para la Conservación del Bosque Cafetero "FICAFE"). This trust was formed with the transfer of the coffee sector's loan portfolio by a number of banks in El Salvador, including Banco Agrícola. The purpose of this transaction was to carry out the restructuring of those loans, promoted by the government of El Salvador.

As of December 31, 2009, 2008 and 2007 Bancolombia held securities issued by foreign governments and in the following amounts:

As of December 31,	Issuer	Investment Amount–Book Value (in millions of pesos) (1)		Investment Amount–Book Value (U.S. dollars) (1)	
2009	Republic of El Salvador	COP	357,939	US$	175,097,434
	U.S. Treasury	COP	137,798	US$	67,408,297
	Republic of Brazil	COP	172,676	US$	84,469,810
	Republic of Panama	COP	74,818	US$	36,599,470
	Republic of Peru	COP	6,804	US$	3,328,545
2008	Republic of El Salvador	COP	230,749	US$	102,847,983
	U.S. Treasury	COP	405,050	US$	180,536,473
	Republic of Brazil	COP	51,981	US$	23,168,684
2007	Republic of El Salvador	COP	216,389	US$	107,402,043
	U.S. Treasury	COP	142,059	US$	70,509,161

As of December 31,	Issuer		Investment Amount–Book Value (in millions of pesos) (1)		Investment Amount–Book Value (U.S. dollars) (1)
	Republic of Brazil	COP	50,480	US$	25,055,174
	Republic of Sweden	COP	9,816	US$	4,871,877
	Republic of Germany	COP	9,205	US$	4,569,001
	Republic of Ireland	COP	7,092	US$	3,519,874
	Republic of Italy	COP	6,170	US$	3,062,423
	Republic of Austria	COP	2,094	US$	1,039,193
	Spain	COP	2,083	US$	1,033,955
	Republic of Canada	COP	2,052	US$	1,018,588
	Republic of Finland	COP	2,045	US$	1,014,783
	Republic of Panama	COP	999	US$	495,625

(1) These amonunts are not net of allowances for decline in value which wereCOP 223 million for 2008 and COP 32,395 million for 2009 .

The Bank increased the size and diversification of its foreign currency-denominated portfolio in response to (i) a cautious liquidity approach to the international downturn and credit crunch and (ii) lower credit demand in U.S. dollars.

As of December 31, 2009, the Bank's peso-denominated debt securities portfolio amounted to COP 6,263, 21.0% increase compared to the end of 2008. This variation is primarily explained by increased liquidity derived from slow credit demand during the year. Peso-denominated debt securities issued by the Colombian government represented 50.8% of the Bank's peso-denominated debt securities portfolio in 2009, remaining stable in terms of relative size compared to 2008. See "Item 5. Operating and financial review and prospects – B. Liquidity and Capital Resources – B.1 Liquidity and Funding" for a further discussion of the Bank's policies regarding liquidity.

INVESTMENT SECURITIES PORTFOLIO MATURITY

The following table summarizes the maturities and weighted average nominal yields of the Bank's investment securities as of December 31, 2009:

	As of December 31, 2009									
	Maturing in less than year		Maturing between 1 and 5 years		Maturing between 5 and 10 years		Maturing in more than 10 years		Total	
	Balance (1)	Yield % (2)	Balance (1)	Yield % (2)	Balance (1)	Yield % (2)	Balance (1)	Yi eld % (2)	Balance (1)	Yield % (2)
	(in millions of pesos (COP), except yields)									
Securities issued or secured by:										
Foreign currency.-denominated:										
Colombian government	59,429	1.56%	104,939	4.60%	40,800	5.61%	1,638	6.39%	206,806	3.94%
El Salvador Central Bank	811,012	1.28%	-	-	-	-	-	-	811,012	1.28%
	3,683	5.26%	42,226	6.00%	24,541	6.16%	47,368	4.62%	117,818	5.31%

Other government entities										
Other financial entities	27,274	5.23%	52,859	3.20%	13,238	6.55%	-	-	93,371	4.27%
Foreign governments	300,907	3.12%	252,058	3.57%	77,519	4.86%	87,156	6.37%	717,640	3.86%
Others	488	0.09%	72,622	8.49%	98,815	5.15%	-	-	171,925	6.54%
Subtotal	1,202,793	1.85%	524,704	4.58%	254,913	5.30%	136,162	5.76%	2,118,572	3.20%
Securities issued or secured by:										
Peso-denominated										
Colombian government	636,192	4.10%	1,303,121	6.47%	31,312	8.65%	16,798	8.51%	1,987,423	5.76%
Government entities	852,224	3.27%	2,396	6.66%	-	-	-	-	854,620	3.28%
Other financial entities	154,420	5.75%	275,197	7.90%	670,128	9.31%	661,143	10.89%	1,760,888	9.37%
Others	14,238	9.41%	67,525	9.12%	-	-	550	11.49%	82,313	9.19%
Subtotal	1,657,074	3.87%	1,648,239	6.82%	701,440	9.28%	678,491	10.83%	4,685,244	6.73%
Securities issued or secured by:										
UVR-denominated										
Colombian Government.	573,010	1.43%	615,076	0.54%	-	-	7,765	4.58%	1,195,851	0.99%
Other financial entities	-	-	129,439	3.68%	126,147	5.37%	126,691	6.20%	382,277	5.07%
Subtotal	573,010	1.43%	744,515	1.08%	126,147	5.37%	134,456	6.11%	1,578,128	1.98%
Total (COP)	3,432,877		2,917,458		1,082,500		949,109		8,381,944	

(1) Amounts are net of allowances for decline in value which amounted to COP 54,299 million in 2009.
(2) Yield was calculated using the internal return rate (IRR) as of December 31, 2009.

As of December 31, 2009, the Bank had the following investments in securities of issuers that exceeded 10% of the Bank's stockholders' equity:

	Issuer	Amortized Cost (COP million)	Fair value
Securities issued or secured by:			
Colombian government	Ministry of Finance	COP 3,390,080	COP 3,320,881
Other financial entities	Titularizadora Colombiana	1,774,365	1,779,559
El Salvador Central Bank	Dir. General de Tesorería	811,012	810,317
Government entities	FINAGRO	852,990	844,079
Total		COP 6,828,447	COP 6,754,836

E.3. LOAN PORTFOLIO

The following table shows the Bank's loan portfolio classified into corporate, retail, financial leases and mortgage loans:

	As of December 31,				
	2009	2008	2007 (2)	2006	2005
			(COP million)		
Domestic					
Corporate					
Trade financing	623,084	640,033	845,810	777,417	783,894
Loans funded by development banks	485,754	970,456	842,957	321,263	948,659
Working capital loans	15,003,979	15,524,940	13,320,319	11,534,148	7,702,420
Credit cards	26,947	33,039	36,613	50,803	42,293
Overdrafts	45,072	55,796	50,536	74,218	62,041
Total corporate	16,184,836	17,224,264	15,096,235	12,757,849	9,539,307
Retail (1)					
Credit cards	2,198,127	2,317,178	1,855,999	796,175	582,533
Personal loans	2,060,776	2,369,852	2,305,390	2,281,177	1,556,429
Vehicle loans	1,218,299	1,314,685	1,305,685	963,072	629,326
Overdrafts	168,760	208,123	195,063	119,882	101,957
Loans funded by development banks	792,437	887,978	713,007	386,283	403,414
Trade financing	48,955	98,344	93,037	70,406	76,643

Working capital loans	4,346,213	4,125,358	3,715,945	2,331,999	1,612,650
Total retail	10,833,567	11,321,518	10,184,126	6,948,994	4,962,952
Financial Leases	5,390,937	5,406,712	4,698,702	3,553,286	2,660,556
Mortgage	2,556,810	2,313,864	1,930,742	1,385,445	1,463,437
Total loans	34,966,150	36,266,358	31,909,805	24,645,574	18,626,252
Allowance for loan losses	(2,115,163)	(1,810,577)	(1,251,561)	(834,183)	(705,882)
Total loans, net (COP)	32,850,987	34,455,781	30,658,244	23,811,391	17,920,370
Foreign (COP)					
Corporate					
Trade financing	551,211	1,128,931	313,736		
Loans funded by development banks	41,969	52,308	39,758		
Working capital loans	3,509,893	3,807,352	2,779,180		
Credit cards	8,462	9,327	6,546		
Overdrafts	5,530	7,712	8,610		
Total corporate	4,117,065	5,005,630	3,147,830		
Retail (1)					
Credit cards	190,932	201,813	164,612		
Personal loans	1,713,992	1,917,663	1,473,168		
Vehicle loans	3,718	5,724	6,711		
Overdrafts	19,853	21,089	22,943		
Loans funded by development banks	9,410	8,304	6,204		
Trade financing	4,343	25,482	4,941		
Working capital loans	24,833	13,015	13,399		
Total retail	1,967,081	2,193,090	1,691,978		
Financial Leases	79,064	100,030	125		
Mortgage	912,614	1,077,462	952,886		
Total loans	7,075,824	8,376,212	5,792,819		
Allowance for loan losses	(316,504)	(323,783)	(205,590)		
Total loans, net	6,759,320	8,052,429	5,587,229		
Total Foreign and Domestic Loans (COP)	39,610,307	42,508,210	36,245,473		

(1) Includes loans to high-income individuals and small companies.

(2) In 2007 the foreign loan category became material to the Bank due to the acquisition of Banagrícola,; because of this, there is not information for previous years.

The Bank classifies its loan portfolio into the following categories: (i) corporate loans (ii) retail and small and medium enterprises loans, (iii) financial leases; and (iv) mortgage loans.

As of December 31, 2009, the Bank's total loan portfolio amounted to COP 42,042 billion, down 6% as compared to COP 44,643 billion in 2008, although above the COP 37,703 billion at the end of 2007. Loan volume performance, during 2009, is primarily explained by the significantly increased activity of corporations in debt capital markets, the low level of credit demand experienced during 2009 and also by the 9% Colombian peso appreciation in 2009 that affected the currency translation of the Loans denominated in U.S. dollars (25% of the Bank's loans). For further discussion of some of these trends please see "Item 5. Operating and Financial Review and Prospects – D. Trend information".

As of December 31, 2009, corporate loans amounted to COP 20,302 billion, or 48% of loans, and decreased 9% as compared to the loans reported at the end of 2008.

Retail and SMEs loans totaled COP 12,801 billion, or 30% of total loans, of which COP 6,889 billion were consumer loans (16% of total loans). Retail and SMEs loans decreased 5% over the year.

Financial leases totaled COP 5,470 as of the end of 2009, down 1% as compared to COP 5,397 at the end of 2008.

In contrast, mortgage lending activity was resilient during 2009, driven mainly by the Colombian government's housing subsidy program that was implemented in April 09 as well as by lower long-term interest rates in Colombia. Taking into account securitized loans, mortgages increased 9% over the year (Bancolombia securitized COP 833 billion mortgage loans during 2009 in the local market).

Borrowing Relationships

As of December 31, 2009, the aggregate outstanding principal amount of the Bank's 25 largest borrowing relationships, on a consolidated basis, represented approximately 12% of the loan portfolio, and no single borrowing relationship represented more than 1.8% of the loan book. Also, 100% of those loans were corporate loans and 99% of these relationships were classified as "A".

Maturity and Interest Rate Sensitivity of Loans

The following table shows the maturities of the Bank's loan portfolio as of December 31, 2009:

	Due in one year or less	Due from one to five years	Due after five years	Total
		(CO P million)		
Domestic loans and financial leases:				
Corporate				
Trade financing	472,112	79,518	71,454	623,084
Loans funded by development banks	155,581	228,668	101,505	485,754
Working capital loans	5,257,614	6,594,664	3,151,701	15,003,979
Credit cards	5,296	21,645	6	26,947

	Due in one year or less	Due from one to five years	Due after five years	Total
		(CO P million)		
Overdrafts	45,072	-	-	45,072
Total corporate	5,935,675	6,924,495	3,324,666	16,184,836
Retail				
Credit cards	334,184	1,862,341	1,602	2,198,127
Personal loans	244,769	1,789,122	26,885	2,060,776
Vehicle loans	10,768	827,998	379,533	1,218,299
Overdrafts	168,760	-	-	168,760
Loans funded by development banks	64,493	586,274	141,670	792,437
Trade financing	46,329	2,626	-	48,955
Working capital loans	1,345,755	2,551,875	448,583	4,346,213
Total retail	2,215,058	7,620,236	998,273	10,833,567
Financial leases	279,640	3,488,955	1,622,342	5,390,937
Mortgage	31,639	157,334	2,367,837	2,556,810
Total domestic loans and financial leases	8,462,012	18,191,020	8,313,118	34,966,150
Foreign loans and financial leases:				
Corporate				
Trade financing	90,305	264,855	196,051	551,211
Loans funded by development banks	31,142	2,329	8,498	41,969
Working capital loans	1,453,852	1,396,169	659,872	3,509,893
Credit cards	-	8,462	-	8,462
Overdrafts	5,530	-	-	5,530
Total corporate	1,580,829	1,671,815	864,421	4,117,065
Retail				
Credit cards	463	190,469	-	190,932
Personal loans	54,843	580,285	1,078,864	1,713,992
Vehicle loans	146	3,391	181	3,718
Overdrafts	19,853	-	-	19,853
Loans funded by development banks	76	1,976	7,358	9,410
Trade financing	268	2,595	1,480	4,343
Working capital loans	7,385	12,862	4,586	24,833
Total retail	83,034	791,578	1,092,469	1,967,081
Financial leases	21	69,545	9,498	79,064
Mortgage	3,860	39,798	868,956	912,614
Foreign loans and financial leases	1,667,744	2,572,736	2,835,344	7,075,824
Total loans (COP million)	10,129,756	20,763,756	11,148,462	42,041,974

The following table shows the interest rate sensitivity of the Bank’s loan portfolio due after one year and within one year or less as of December 31, 2009:

	As of December 31, 2009
	(COP million)

Loans with term of 1 year or more:		
Variable Rate		
Domestic-denominated	COP	21,636,631
Foreign-denominated		4,734,530
Total		26,371,161
Fixed Rate		
Domestic-denominated		4,867,507
Foreign-denominated		673,550
Total		5,541,057
Loans with terms of less than 1 year:		
Domestic-denominated		8,462,011
Foreign-denominated		1,667,745
Total		10,129,756
Total loans	COP	42,041,974

Loans by Economic Activity

The following table summarizes the Bank's loan portfolio, for the periods indicated, by the principal activity of the borrower using the primary Standard Industrial Classification (SIC) codes. Where the Bank has not assigned a code to a borrower, classification of the loan has been made based on the purpose of the loan as described by the borrower:

	As of December 31,								
Domestic	2009	%	2008	%	2007 (COP)	%	2006	%	2005
Agricultural	1,625,790	4.6%	1,691,697	4.7%	1,453,047	4.6%	996,091	4.0%	844,651
Mining products and oil	1,193,712	3.4%	521,249	1.4%	496,296	1.6%	456,770	1.9%	273,580
Food, beverage and tobacco	2,243,064	6.4%	2,264,246	6.2%	1,799,891	5.6%	1,665,850	6.8%	1,371,696
Chemical production	1,310,495	3.7%	1,790,731	4.9%	1,145,943	3.6%	805,900	3.3%	572,000
Other industrial and manufacturing products	3,396,188	9.7%	4,132,049	11.4%	5,032,310	15.8%	3,867,432	15.7%	2,982,246
Government	1,234,824	3.5%	659,800	1.8%	772,539	2.4%	602,585	2.4%	1,226,597
Construction	3,520,673	10.2%	3,422,564	9.4%	2,325,378	7.2%	1,534,816	6.2%	2,980,173
Trade and tourism	5,471,749	15.7%	6,216,359	17.2%	3,919,082	12.3%	2,791,340	11.3%	2,693,730
Transportation and communications	2,544,050	7.3%	2,426,608	6.7%	2,262,124	7.1%	1,924,129	7.8%	1,496,371
Public services	1,659,742	4.7%	836,298	2.3%	1,266,250	4.0%	1,183,361	4.8%	941,975
Consumer services	7,916,772	22.7%	8,709,958	24.1%	8,070,250	25.2%	5,804,779	23.6%	2,134,950
Commercial services	2,849,091	8.1%	3,594,799	9 .9%	3,366,695	10.6%	3,012,521	12.2%	1,108,283
Total loans domestic (COP)	34,966,750	100.0%	36,266,358	100.0%	31,909,805	100.0%	24,645,574	100.0%	18,626,252

	As of December 31,									
Foreign	2009	%	2008	%	2007 (1)	%	2006	%	2005	%
Agricultural	301,866	4.3%	248,631	3.0%	242,404	4.2%				
Mining products and oil	176,042	2.5%	189,743	2.3%	215,540	3.7%				
Food, beverage and tobacco	118,092	1.7%	232,410	2.8%	200,439	3.5%				
Chemical production	51,173	0.7%	95,552	1.1%	67,425	1.2%				
Other industrial and manufacturing products	1,586,708	22.4%	2,426,601	29.0%	526,061	9.1%				

Government	-	0.0%	-	0.0%	-	0.0%
Construction	1,375,521	19.4%	442,021	5.2%	354,903	6.0%
Trade and tourism	613,928	8.7%	751,364	9.0%	794,335	13.7%
Transportation and communications	291,613	4.1%	117,356	1.4%	78,014	1.4%
Public services	256,307	3.6%	275,812	3.3%	248,345	4.3%
Consumer services	1,971,723	27.9%	3,202,212	38.2%	2,494,456	43.0%
Commercial services	332,851	4.7%	394,510	4.7%	570,897	9.9%
Total loans foreign (COP)	7,075,824	100.0%	8,376,212	100.0%	5,792,819	100.0%
Total Foreign and Domestic Loans (COP)	42,041,974	100.0%	44,642,570	100.0%	37,702,624	100.0%

(1) In 2007 the foreign loan category became material to the Bank due to the acquisition of Banagrícola; because of this, there is not information for previous years.

Credit Categories

For the purpose of credit risk evaluation, loans and financial lease contracts are classified as follows:

Mortgage Loans: These are loans, regardless of value, granted to individuals for the purchase of new or used housing or to build a home, all in accordance with Law 546 of 1999. These loans include loans denominated in UVR or local currency that are guaranteed by a senior mortgage on the property and that are financed with a total repayment term of 5 to 30 years.

Consumer Loans: These are loans and financial leases, regardless of value, granted to individuals for the purchase of consumer goods or to pay for non-commercial or business services.

Microcredit Loans: These are issued for the purpose of encouraging the activities of small businesses and are subject to the following requirements: (i) the maximum amount to be lent is equal to twenty-five (25) SMMLV without at any time the balance of one single borrower exceeding such amount (this pursuant to that stipulated in Article 39 of Law 590 of 2000) and that the main source of payment for the corresponding obligation shall be the revenues obtained from the activities of the borrower micro business. The balance of indebtedness on the part of the borrower may not exceed 120 SMMLV, as applicable, at the moment the credit is approved.

Commercial Loans: Commercial loans are loans and financial leases that are granted to individuals or companies in order to carry out organized economic activities; and not classified as microcredit loans.

The following table shows the Bank's loan portfolio categorized in accordance with the regulations of the Superintendency of Finance in effect for the relevant periods:

	Loan Portfolio by Type of Loan As of December 31,				
	2009	2008	2007	2006	2005
	(COP million)				
Commercial Loans	26,011,915	28,068,731	23,397,058	16,028,505	11,949,501
Consumer Loans	6,888,615	7,532,649	6,593,211	3,587,260	2,437,727
Microcredit Loans	202,019	143,122	129,900	91,078	115,031
Financial Leases	5,470,001	5,506,742	4,698,827	3,553,286	2,660,556
Mortgage	3,469,424	3,391,326	2,883,628	1,385,445	1,463,437
Total Loans and Financial Leases	42,041,974	44,642,570	37,702,624	24,645,574	18,626,252
Allowance for Loans and Financial Lease Losses	2,431,667	2,134,360	1,457,151	834,183	705,882
Total Loans and Financial Leases, Net (COP)	39,610,307	42,508,210	36,245,473	23,811,391	17,920,370

Risk categories

The Superintendency of Finance provides the following minimum risk classifications, according to the financial situation of the debtor or the past due days of the obligation:

Category A or "Normal Risk": Loans and financial leases in this category are appropriately serviced. The debtor's financial statements or its projected cash flows, as well as all other credit information available to the Bank, reflect adequate paying capacity.

Category B or “Acceptable Risk, Above Normal”: Loans and financial leases in this category are acceptably serviced and guaranty protected, but there are weaknesses which may potentially affect, on a transitory or permanent basis, the debtor’s paying capacity or its projected cash flows, to the extent that, if not timely corrected, would affect the normal collection of credit or contracts.

Category C or “Appreciable Risk”: Loans and financial leases in this category represent insufficiencies in the debtor’s paying capacity or in the project’s cash flow, which may compromise the normal collection of the obligations.

Category D or "Significant Risk": Loans and financial leases in this category have the same deficiencies as loans in category C, but to a larger extent; consequently, the probability of collection is highly doubtful.

Category E or "Risk of Non-Recoverability": Loans and financial leases in this category are deemed uncollectible.

For further details about this risk categories see "Note 2. Summary of significant accounting policies – (i) Loans and Financial Leases – Evaluation by credit risk categories" to the Consolidated Financial Statements.

	As of December 31,								
	2009	%	2008	%	2007	%	2006	%	2005
	(COP million, except percentages)								
"A" Normal	38,180,628	90.8%	40,650,096	91.0%	35,397,503	93.9%	23,310,545	94.6%	17,359,0
"B" Subnormal	1,711,661	4.1%	2,216,832	5.0%	1,135,022	3.0%	708,774	2.9%	638,1
"C" Deficient	703,053	1.7%	576,557	1.3%	300,085	0.8%	209,386	0.8%	202,9
"D" Doubtful Recovery	1,105,442	2.6%	871,892	2.0%	604,034	1.6%	242,763	1.0%	252,6
"E" Unrecoverable	341,190	0.8%	327,193	0.7%	265,980	0.7%	174,106	0.7%	173,4
Total loans and financial leases	42,041,974	100.0%	44,642,570	100.0%	37,702,624	100.0%	24,645,574	100.0%	18,626,2
Loans classified as "C", "D" and "E" as a percentage of total loans	5.1%		4.0%		3.1%		2.5%		

Suspension of Accruals

The Superintendency of Finance established that interest, UVR, lease payments and other items of income cease to be accrued in the statement of operations and begin to be recorded in memorandum accounts until effective payment is collected, after a loan is in arrears for more than a certain time:

Type of loan and financial lease	Arrears in excess of:
Mortgage	2 months
Consumer	2 months
Microcredit	1 month
Commercial	3 months

However, the Bank adopts a more exigent policy for every credit category, except for mortgages, that places loans in non-accrual status once those loans are 30 days or more overdue. Under this policy, once the accumulation of interest is suspended, the Bank records an allowance equal to the interest that had accrued up to that point. Mortgage loans, on the other hand, are placed in non-accrual status once they are 60 days past due, at which time an allowance is made for 100% of the interest accrued up to that point.

Those loans that become past due and that at some point have stopped accruing interest, UVR, lease payments or other items of income will stop accruing said income from their collection. Their entries will be recorded in memorandum accounts until such loans are collected.

The following table sets forth the breakdown of the Bank's loans at least one day past due by type of loan. In accordance with the criteria of the Colombian Superintendency of Finance, Past due loans ("PDLs") are those overdue 30 days or more:

	As of December 31,									
	2009	%	2008	%	2007	%	2006	%	2005	%
	(COP million, except percentages)									
Performing past due loans: (1)										
Consumer loans (2)	141,813	23.7%	150,762	22.4%	131,824	30.1%	62,201	26.4%	34,630	19.7%
Commercial loans (3)	254,923	42.5%	323,185	48.0%	164,163	37.4%	74,577	31.8%	46,485	26.5%
Mortgage loans (4)	115,611	19.3%	100,785	15.0%	81,523	18.6%	62,919	26.8%	84,156	47.9%

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	As of December 31,									
	2009	%	2008	%	2007	%	2006	%	2005	%
	(COP million, except percentages)									
Financial leases (5)	87,202	14.5%	98,644	14.6%	61,055	13.9%	35,150	15.0%	10,301	5
Total perf. PDLs	599,549	100.0%	673,376	100.0%	438,565	100.0%	234,847	100.0%	175,572	100
Non-performing PDLs:										
Consumer loans (6)	231,790	22,6%	296,153	31.2%	234,659	35.2%	114,101	34.1%	66,121	24
Small loans (7)	17,250	1,7%	17,600	1.9%	14,630	2.2%	10,003	3.0%	5,979	2
Commercial loans (8)	488,248	47,5%	387,571	40.7%	233,883	35.1%	133,987	40.0%	114,496	41
Mortgage loans (9)	197,323	19,2%	184,597	19.4%	124,251	18.6%	65,187	19.5%	77,394	28
Financial leases (10)	93,101	9,0%	64,708	6.8%	58,945	8.9%	11,210	3.4%	11,874	4
Total non-perf. PDLs	1,027,712	100.0%	950,629	100.0%	666,368	100.0%	334,488	100.0%	275,864	100
Total PDLs (COP)	1,627,261		1,624,005		1,104,933		569,335		451,436	
Total non-perf. PDLs	1,027,712		950,629		666,368		334,488		275,864	
Foreclosed assets	250,976		204,480		234,116		193,004		236,536	
Other accounts receivable (overdue > 180 days)	33,800		34,486		38,182		29,146		28,980	
Total non-performing assets (COP)	1,312,488		1,189,595		938,666		556,638		541,380	
Allowance for loan losses	(2,431,667)		(2,134,360)		(1,457,151)		(834,183)		(705,882)	
Allowance for estimated losses on foreclosed assets	(170,308)		(179,827)		(201,822)		(174,393)		(205,176)	
Allowance for accounts receivable and accrued interest losses	(124,916)		(114,009)		(69,956)		(34,936)		(40,727)	
		3.9%		3.6%		2.9%		2.3%		2

PDLs/ Total loans					
Allowance for loan losses/ PDLs	149.4%	131.4%	131.9%	146.5%	156
Allowance for loan losses/ Loans classified as “C”, “D” and “E”	113.1%	120.2%	124.5%	133.2%	112
Perf. Loans/Total loans	97.6%	97.9%	98.2%	98.6%	98

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(1) Performing past due loans are loans upon which the Bank continues to recognize income although interest has not been received for the periods indicated. Once interest is unpaid on accrual loans for a longer period than is below, the loan is classified as non-performing. Under Colombian Banking regulations, a loan is past due when it is at least 31 days past the actual due date. Bancolombia (unconsolidated), Sufinanciamiento, Patrimonio Autónomo C.V. Sufinanciamiento, Bancolombia Panamá and Bancolombia Cayman adopted a policy, in which all loans and financial leasing operations of any type, with the exception of mortgage loans that are more than 60 days past due, cease to accumulate interest on the statement of operations and instead are recorded in the memorandum accounts until such time as the client proceeds with their payment. The calculation includes past due financial leases.

(2) Past due from 31 to 60 days.

(3) Past due from 31 to 90 days.

(4) Past due from 31 to 60 days.

(5) The Consumer financial leases are due from 31 to 60 days and the commercial financial leases are due from 31 to 90 days.

(6) Past due more than 60 days.

(7) Past due more than 30 days.

(8) Past due more than 90 days.

(9) Past due more than 60 days.

(10) The Consumer financial leases are more than 60 days and the commercial financial leases are more than 90 days.

The following table sets forth the breakdown of the non-performing past due loans by type of loan in accordance with the criteria of the Superintendency of Finance for domestic and for foreign loans at the end of each period:

	As of December 31,				
Non-performing past due loans:	2009	2008	2007 (1)	2006	2005
Consumer loans (2)					
Domestic	COP 169,357	COP 243,487	COP 204,739	COP -	COP -
Foreign	62,433	52,666	29,920	-	
Total Consumer Loans	231,790	296,153	234,659	114,101	66,121
Microcredit loans (3)					
Domestic	15,025	15,583	12,888	-	-
Foreign	2,225	2,017	1,742	-	-
Total Small Loans	17,250	17,600	14,630	10,003	5,979
Commercial loans (4)					
Domestic	430,695	336,958	192,457	-	-
Foreign	57,553	50,613	41,426	-	-

	As of December 31,				
Non-performing past due loans:	2009	2008	2007 (1)	2006	2005
Total Commercial Loans	488,248	387,571	233,883	133,987	114,496
Mortgage loans (5)					
Domestic	159,697	161,284	105,516	-	-
Foreign	37,626	23,313	18,735	-	-
Total Mortgage Loans	197,323	184,597	124,251	65,187	77,394
Financial leases (6)					
Domestic	93,100	63,160	58,902	-	-
Foreign	1	1,548	43	-	-
Total Financial leases	93,101	64,708	58,945	11,210	11,874
Total non-perf. PDLs (domestic)	867,874	820,472	574,502	-	-
Total non-perf. PDLs (foreign)	159,838	130,157	91,866	-	-
Total non-perf. PDLs	COP 1,027,712	COP 950,629	COP 666,368	COP 334,488	COP 275,864

(1) In 2007 the Foreign loan category becomes material to the Bank due to the acquisition of Banagrícola.
(2) Past due more than 60 days.
(3) Past due more than 30 days.
(4) Past due more than 90 days.
(5) Past due more than 60 days.
(6) The Consumer financial leases are more than 60 days and the commercial financial leases are more than 90 days.

The following table illustrates Bancolombia's past due loan portfolio by type of loan:

	As of December 31,									
	2009	%	2008	%	2007 (2)	%	2006	%	2005	%
	(COP million, except percentages)									
Domestic										
Corporate										
Trade financing	3,945	0.3%	2,472	0.2%	9,073	1.0%	18,218	3.2%	9,728	2.2%
Loans funded by development banks	13,933	1.0%	22,125	1.6%	6,710	0.7%	6,820	1.2%	7,463	1.7%
Working capital loans	154,071	11.2%	150,795	11.1%	101,613	10.8%	67,267	11.8%	55,354	12.3%
Credit cards	376	0.0%	456	0.0%	377	0.0%	2,669	0.5%	1,616	0.4%
Overdrafts	2,781	0.2%	3,032	0.2%	1,835	0.2%	7,716	1.4%	4,177	0.9%
Total corporate	175,106	12.7%	178,880	13.1%	119,608	12.7%	102,690	18.0%	78,338	17.4%
Retail										
Credit cards	163,924	11.9%	172,409	12.7%	144,621	15.3%	40,307	7.1%	25,967	5.8%
Personal loans	86,358	6.3%	144,336	10.6%	128,954	13.7%	113,514	19.9%	63,008	14.0%
Vehicle loans	117,601	8.6%	142,336	10.5%	74,379	7.9%	41,641	7.3%	23,829	5.3%
Overdrafts	20,106	1.5%	33,277	2.5%	27,932	3.0%	11,771	2.1%	10,234	2.3%

Loans funded by development banks	30,733	2.2%	33,530	2.5%	21,168	2.2%	12,166	2.1%	8,391	1.9%
Trade financing	961	0.1%	8,169	0.6%	3,213	0.3%	1,403	0.2%	658	0.1%
Working capital loans	353,744	25.7%	287,587	21.2%	139,307	14.8%	57,976	10.2%	41,000	9.1%
Total retail	773,427	56.3%	821,644	60.6%	539,574	57.2%	278,778	49.0%	173,087	38.3%
Financial Leases (1)	179,632	13.1%	155,678	11.5%	119,956	12.7%	46,359	8.1%	22,175	4.9%
Mortgage	246,277	17.9%	201,186	14.8%	164,901	17.5%	141,508	24.9%	177,836	39.4%
Total past due loans (COP)	1,374,442	100.0%	1,357,388	100.0%	944,039	100.0%	569,335	100.0%	451,436	100.0%

Foreign						
Corporate						
Trade financing	14,978	5.9%	19,157	7.2%	5,098	3.2%
Loans funded by development banks	2,306	0.9%	1,552	0.6%	1,132	0.7%
Working capital loans	80,031	31.7%	106,532	40.0%	64,522	40.1%
Credit cards	499	0.1%	222	0.0%	130	0.0%
Overdrafts	287	0.0%	341	0.1%	137	0.1%
Total corporate	98,101	38.6%	127,804	47.9%	71,019	44.1%

	As of December 31,									
	2009	%	2008	%	2007 (2)	%	2006	%	2005	%
Retail										
Credit cards	12,450	4.9%	10,692	4.0%	6,901	4.3%				
Personal loans	72,157	28.5%	63,172	23.7%	39,739	24.7%				
Vehicle loans	239	0.1%	110	0.0%	116	0.0%				
Overdrafts	99	0.0%	103	0.0%	321	0.2%				
Loans funded by development banks	260	0.1%	568	0.2%	96	0.1%				
Trade financing	213	0.1%	243	0.1%	191	0.1%				
Working capital loans	1,972	0.8%	1,764	0.7%	1,535	1.0%				
Total retail	87,390	34.5%	76,652	28.7%	48,899	30.4%				
Financial Leases (1)	671	0.3%	7,674	2.9%	43	0.0%				
Mortgage	66,657	26.6%	54,487	20.5%	40,933	25.5%				
Total past due loans (COP)	252,819	100.0%	266,617	100.0%	160,894	100.0%				

(1) Includes financial leases, according to regulations issued by the Superintendency of Finance and effective as of January 1, 2004.

(2) In 2007 the foreign loan category became material to the Bank due to the acquisition of Banagrícola.

The following table presents information with respect to the Bank's loan portfolio at least 31 days past due based on the nature of the collateral for the loan:

	As of December 31,								
	2009	%	2008	%	2007	%	2006	%	2005
	(COP million, except percentages)								
Secured									
Current	19,061,249	45.3%	17,779,101	39.8%	16,923,998	44.9%	10,762,717	43.7%	7,947,554
Past due Commercial loans	411,359	1.0%	324,541	0.7%	198,901	0.5%	96,641	0.4%	70,787
Past due Consumer loans	88,740	0.2%	70,934	0.2%	72,601	0.2%	29,116	0.1%	23,149
Past due Microcredit loans	7,824	0.1%	8,175	0.1%	7,156	0.0%	3,972	0.0%	2,287
Past due Mortgage loans	312,934	0.7%	285,382	0.6%	205,774	0.6%	148,050	0.6%	177,836
Past due Financial leases	180,303	0.4%	163,352	0.4%	120,000	0.3%	46,360	0.2%	22,175
Total (COP)	20,062,409	47.7%	18,631,485	41.8%	17,528,430	46.5%	11,086,856	45.0%	8,243,788
Unsecured (1)									
Current	21,353,464	50.8%	25,239,464	56.5%	19,673,693	52.2%	13,313,522	54.0%	10,227,262
Past due Commercial loans	331,812	0.8%	386,215	0.9%	199,145	0.5%	91,979	0.4%	73,908
Past due Consumer loans	284,863	0.7%	375,981	0.8%	293,882	0.8%	147,186	0.6%	77,602

Past due Microcredit loans	9,426	0.0%	9,425	0.0%	7,474	0.0%	6,031	0.0%	3,692
Total (COP)	21,979,565	52.3%	26,011,085	58.2%	20,174,194	53.5%	13,558,718	55.0%	10,382,464
Total current loans and financial leases	40,414,713	96.1%	43,018,565	96.4%	36,597,691	97.1%	24,076,239	97.7%	18,174,816
Past due Commercial loans	743,171	1.9%	710,756	1.6%	398,046	1.0%	188,620	0.8%	144,695
Past due Consumer loans	373,603	0.9%	446,915	1.0%	366,483	1.0%	176,302	0.7%	100,751
Past due Microcredit loans	17,250	0.0%	17,600	0.0%	14,630	0.0%	10,003	0.0%	5,979
Past due Mortgage loans	312,934	0.7%	285,382	0.6%	205,774	0.6%	148,050	0.6%	177,836
Past due Financial leases	180,303	0.4%	163,352	0.4%	120,000	0.3%	46,360	0.2%	22,175
Total past due loans and financial leases (COP)	1,627,261	3.9%	1,624,005	3.6%	1,104,933	2.9%	569,335	2.3%	451,436
Total gross loans and financial leases	42,041,974	100%	44,642,570	100%	37,702,624	100%	24,645,574	100%	18,626,252
Allowance for loan and financial lease losses	(2,431,667)	(5.8)%	(2,134,360)	(4.8)%	(1,457,151)	(3.9)%	(834,183)	(3.4)%	(705,882
Total loans and financial leases, net (COP)	39,610,307	94.2%	42,508,210	95.2%	36,245,473	96.1%	23,811,391	96.6%	17,920,370

(1) Includes loans with personal guarantees.

Non-performing loans, Accruing loans which are contractually past due 90 days and performing troubled debt restructuring loans

Non-performing loans and accruing loans which are contractually past due 90 days

As of December 31, 2009, 2008, 2007, 2006 and 2005, Bancolombia did not have any performing loans which were past due for 90 days or more.

The following table shows the non-performing loans portfolio classified into foreign and domestic loans, the gross interest income that would have been recorded in the period that ended if the loans had been current in accordance with their original terms and had been outstanding throughout the period or since origination and the amount of interest income on those loans that were included in net income for the period.

	As of December 31, 2009		
	Amount of Loans	Gross Interest Income (COP million)	Interest income included in net income for the period
Foreign loans	159,838	15,957	3,080
Domestic Loans	867,874	302,451	208,829
Non-performing loans	COP 1,027,712	COP 318,408	COP 211,909

	As of December 31, 2008		
	Amount of Loans	Gross Interest Income (COP million)	Interest income included in net income for the period
Foreign loans	130,157	18,460	11,906
Domestic Loans	820,472	364,720	265,176
Non-performing loans	COP 950,629	COP 383,180	COP 277,082

Performing Troubled Debt Restructuring Loans

The following table presents a summary of the Bank's Troubled Debt Restructuring loans accounted for on a performing basis in accordance with the criteria of the Superintendency of Finance in effect at the end of each period, classified into foreign and domestic loans:

	As of December 31,				
	2009	2008	2007 (1)	2006	2005
	(COP million)				
Foreign Loans	169,459	176,246	111,870	-	-
Domestic Loans	994,506	623,722	521,181	578,099	619,388
Total Performing Troubled DebtRestructuring Loans (COP)	1,163,965	799,968	633,051	578,099	619,388

(1) In 2007 the foreign loan category became material to the Bank due to the acquisition of Banagrícola.

The following table shows the Bank's Performing Troubled Debt Restructuring loan portfolio classified into foreign and domestic loans, the gross interest income that would have been recorded in the period that ended if the loans had been current in accordance with their original terms and had been outstanding throughout the period or since origination and the amount of interest income on those loans that was included in net income for the period.

	As of December 31, 2009		
	Amount of Loans	Gross Interest Income	Interest income included in net income for the period
	(COP million)		
Foreign loans	169,459	14,006	14,006
Domestic Loans	994,506	66,469	66,469
Total Performing Troubled Debt Restructuring loans	COP 1,163,965	COP 80,475	COP 80,475

	As of December 31, 2008		
	Amount of Loans	Gross Interest Income	Interest income included in net income for the period
	(COP million)		
Foreign loans	176,246	12,590	12,462
Domestic Loans	623,722	62,940	62,940
Total Performing Troubled Debt Restructuring loans	COP 799,968	COP 75,530	COP 75,402

Policies for the granting and review of credit

The Bank's credit standards and policies aim to achieve a high level of credit quality in the Bank's loan portfolio, efficiency in the processing of loans and the specific assignment of responsibilities for credit risk.

To maintain credit quality and manage the risk arising from its lending activities, the Bank has established general loan policies for the evaluation of credits, the determination of lending limits to customers and the level of management authority required to approve a loan. In addition, the Bank has established a centralized area for credit analysis, the disbursement process and the management and custody of promissory notes and guarantees.

Bancolombia's policies require every credit to be analyzed using the following factors: the character, reputation and credit history of the borrower, the type of business the borrower engages in, the borrower's ability to repay the loan, the coverage and suitability of the proposed collateral for the loan and information received from the two credit risk bureaus currently operating in Colombia.

In addition to the analysis of the borrower, the Bank engages in the analysis of the different economic sectors to which the Bank makes loans and has established guidelines for financial analysis of the borrower and for participation in investment projects in and outside Colombia.

The Bank applies the lending limits to borrowers established under Colombian law, which require that: (i) uncollateralized loans to a single customer or economic group may not exceed 10% of the Bank's (unconsolidated) Technical Capital, (ii) collateralized loans to a single customer or economic group may not exceed 25% of the Bank's (unconsolidated) Technical Capital; (iii) a loan to a stockholder of the Bank, who owns a position exceeding 20% of the Bank's Capital, may not exceed 20% of the Bank's (unconsolidated) Technical Capital; and (iv) a loan to a financial institution may not exceed 30% of the Bank's (unconsolidated) Technical Capital.

In general, the term of a loan will depend on the type of guarantee, the credit history of the borrower and the purpose of the loan, averaging in length from one to five years.

Loan applications, depending on their amount, are presented for approval to branch managers, the zone or regional managers, the Vice Presidents, the President, the Credit Committee and the board of directors of Bancolombia. In general, loan application decisions are made by the Bank's management in the corresponding committee. Approval at each level also requires the agreement of each lower level of the approval hierarchy.

Loans to managers, directors and affiliates of the Bank must be approved by the board of directors of the Bank, which has the authority to grant loans in any principal amount subject to the Bank's legal lending limit.

The Bank has established policies for the valuation of collateral received as well as for the determination of the maximum loan amount that can be granted against the value of the collateral. Periodically, the Bank undertakes a valuation of collateral held as security for loans. In addition, when a loan becomes 60 days past due, the loan is given to a specialized division where various steps are taken to recover the loan.

With respect to monitoring outstanding loans, the Bank, in accordance with the requirements of the Superintendency of Finance, has implemented regional committees and a central qualification office to undertake a biannual evaluation of the loan portfolio, during the months of May and November each year. At least 50% of the outstanding portfolio is evaluated by the Superintendency of Finance. Clients evaluated have, among others, the following characteristics: high exposure, more than 30 days past due, bad record of historical payment behavior either with the Bank or the financial system and restructured loans or loans that are part of the watch list. When monitoring outstanding loans, the Bank examines current financial statements including cash flow and financial indicators.

Additionally, all of the Bank's loans are evaluated monthly based on the days they are past due. When reviewing loans, Bancolombia evaluates and updates their risk classification and makes corresponding adjustments in the provisions, if needed.

In addition, the Bank carries out a credit audit process that reviews clients with financial weaknesses, early past due loans, clients in sectors that are underperforming, and branches with high records of write offs, among others.

E.4. SUMMARY OF LOAN LOSS EXPERIENCE

ALLOWANCE FOR LOAN LOSSES

The Bank records allowance for loans and financial leases losses in accordance with the regulation established by the Superintendency of Finance. For further details regarding the regulation and methodologies for the calculation of such allowances please see Note 2.i. of Notes to Financial Statements included in this Annual Report.

The following table sets forth the changes in the allowance for loan and financial leases losses:

	Year Ended December 31,				
	2009	2008	2007	2006	2005
			(COP million)		
Balance at beginning of period	2,134,360	1,457,151	834,183	705,882	434,378
Balance at beginning of period (Factoring Bancolombia)	-	-	-	5,625	-
Balance at beginning of period (Conavi, Corfinsura and subsidiaries)	-	-	-	-	236,013
Balance at beginning of period (Banagrícola's subsidiaries) (3)	-	-	147,357	-	-
Provisions for loan losses (1)	2,448,581	1,986,710	1,203,543	568,679	374,744

Charge-offs	(925,592)	(547,860)	(186,273)	(136,789)	(115,455)
Effect of difference in exchange rate	(39,008)	45,604	(25,441)	(1,210)	(3,955)
Reclassification-Securitization	-	-	-	-	(11,947)
Reversals of provisions	(1,186,674)	(807,245)	(516,218)	(308,004)	(207,896)
Balance at end of year (2) (COP)	2,431,667	2,134,360	1,457,151	834,183	705,882

(1) The provision for past due accrued interest receivable, which is not included in this item, amounted to COP 46,840 million, COP 58,721 million, COP 35,543 million, COP 14,825 million and COP 12,379 million, for the years ended December 31, 2009, 2008, 2007, 2006 and 2005, respectively.

(2) The allowance for past due accrued interest receivable, which is not included in this item, amounted to COP 45,937 million, COP 54,323 million, COP 33,303 million, COP 11,644 million and COP 8,655 million for the years ended December 31, 2009, 2008, 2007, 2006 and 2005, respectively.
(3) Includes allowance for loan losses of Banco Agrícola, Banco Agrícola (Panama), Arrendadora Financiera, Credibac, Aseguradora Suiza Salvadoreña and Asesuisa Vida.

The recoveries of charged-off loans are recorded in the consolidated statement of operations and are not included in provisions for loan losses. See the Consolidated Statement of Operations on the line: Recovery of Charged-off loans.

The following table sets forth the allocation of the Bank's allowance for loan and financial lease losses by type of loan using the classification of the Superintendency of Finance:

	As of December 31,				
	2009	2008	2007	2006	2005
			(COP million)		
Commercial loans	1,443,943	1,202,047	791,957	356,272	387,473
Consumer loans	523,353	502,496	340,247	152,842	88,052
Microcredit loans	17,263	12,424	9,050	6,365	4,679
Financial leases	253,764	197,952	133,837	49,463	16,342
Mortgage	157,445	122,407	53,973	23,948	22,747
General	35,899	97,034	128,087	245,293	186,589
Total allowance for loan losses (COP)	2,431,667	2,134,360	1,457,151	834,183	705,882

The following table sets forth the allocation of the Bank's allowance for loans and financial leases losses by type of loan:

	As of December 31,									
	2009	%	2008	%	2007 (2)	%	2006	%	2005	%
	(COP million, except percentages)									
Domestic										
Corporate										
Trade financing	22,834	1.1%	13,081	0.7%	21,184	1.7%	17,154	2.1%	23,598	3.3%
Loans funded by development banks	47,540	2.2%	61,430	3.4%	27,612	2.2%	7,057	0.8%	20,886	3.0%
Working capital loans	614,342	29.0%	522,065	28.8%	379,169	30.3%	261,589	31.4%	315,725	44.7%
Credit cards	826	0.0%	1,134	0.1%	1,176	0.1%	2,324	0.3%	1,435	0.2%
Overdrafts	3,783	0.2%	3,983	0.2%	2,383	0.2%	3,617	0.4%	1,781	0.3%
Total corporate	689,325	32.5%	601,693	33.2%	431,524	34.5%	291,741	35.0%	363,425	51.5%
Retail										
Credit cards	266,094	12.6%	208,323	11.5%	128,523	10.3%	36,062	4.3%	21,815	3.1%
Personal loans	122,265	5.8%	166,880	9.2%	126,297	10.1%	92,625	11.1%	45,955	6.5%
Vehicle loans	112,626	5.3%	115,593	6.4%	68,938	5.5%	30,698	3.7%	13,837	2.0%

Overdrafts	16,650	0.8%	24,002	1.3%	16,451	1.3%	4,274	0.5%	4,186	0.6%
Loans funded by development banks	48,354	2.3%	41,323	2.3%	30,064	2.4%	5,817	0.7%	3,970	0.6%
Trade financing	2,450	0.1%	7,616	0.4%	5,111	0.4%	1,254	0.2%	430	0.1%
Working capital loans	442,116	20.9%	330,437	18.3%	204,022	16.3%	53,008	6.4%	26,586	3.8%
Total retail	1,010,555	47.8%	894,174	49.4%	579,406	46.3%	223,738	26.9%	116,779	16.7%
Financial Leases (1)	251,618	11.9%	187,514	10.4%	133,757	10.7%	49,463	5.9%	16,342	2.3%
Mortgage	136,674	6.5%	103,133	5.7%	37,863	3.0%	23,948	2.9%	22,747	3.2%
General	26,989	1.3%	24,062	1.3%	69,011	5.5%	245,293	29.3%	186,589	26.3%
Total allowance for loan losses (COP)	2,115,161	100.0%	1,810,576	100.0%	1,251,561	100.0%	834,183	100.0%	705,882	100.0%
Foreign										
Corporate										
Trade financing	13,502	4.3%	13,633	4.2%	5,155	2.5%				
Loans funded by development banks	1,107	0.3%	545	0.2%	432	0.2%				
Working capital loans	172,704	54.6%	132,294	40.9%	76,002	37.0%				
Credit cards	387	0.0%	177	0.0%	97	0.0%				
Overdrafts	656	0.2%	222	0.1%	323	0.2%				
Total corporate	188,356	59.4%	146,871	45.4%	82,009	39.9%				
Retail										
Credit cards	12,961	4.1%	9,469	2.9%	6,258	3.0%				
Personal loans	78,999	25.0%	62,409	19.3%	40,388	19.6%				
Vehicle loans	242	0.1%	152	0.0%	142	0.1%				
Overdrafts	2,032	0.6%	564	0.2%	625	0.3%				

	As of December 31,									
	2009	%	2008	%	2007 (2)	%	2006	%	2005	%
	(COP million, except percentages)									
Loans funded bydevelopment banks	332	0.1%	274	0.1%	108	0.1%				
Trade financing	214	0.1%	525	0.2%	101	0.1%				
Working capital loans	1,542	0.5%	838	0.3%	692	0.3%				
Total retail	96,322	30.5%	74,231	23.0%	48,314	23.5%				
Financial Leases(1)	2,147	0.7%	10,436	3.1%	81	0.0%				
Mortgage	20,771	6.6%	19,274	6.0%	16,110	7.8%				
General	8,910	2.8%	72,972	22.5%	59,076	28.8%				
Total allowance for loan losses (COP)	316,506	100.0%	323,784	100.0%	205,590	100.0%				

(1) The allowance for financial leases is included in the allowance for loans since 2004.
(2) In 2007 the foreign loan category became material to the Bank due to the acquisition of Banagrícola.

As of December 31, 2009, allowances for loans and financial lease losses amounted to COP 2,432 billion (5.8% of toal loans), up 14% as compared to 2,134 billion (4.8% of loans) at the end of 2008 and up 63% as compared to COP 1,457 billion (4.0% of loans) at the end of 2007.

Coverage, measured by the ratio of allowances for loan losses to past due loans (overdue 30+ days), reached 149% at the end of 2009, increasing from 131% at the end of 2008 and 135% at the end of 2007. For futher information regarding asset quality and provision charges see “Item 5. Operating and Financial Review and Prospects”.

CHARGE-OFFS

The following table shows the allocation of the Bank’s charge-offs by type of loan as of December 31, 2009, 2008, 2007, 2006 and 2005:

	Year ended December 31,				
	2009	2008	2007 (1)	2006	2005
	(COP million)				
Domestic					
Trade financing	COP 263	COP 2,558	COP 151	COP 5,507	COP 630
Loans funded by development banks	37,112	8,820	1,320	-	4,573
Working capital loans	329,603	45,941	16,068	49,474	18,190
Credit cards	195,676	166,067	28,179	10,067	14,960
Personal loans	96,597	138,007	65,006	46,095	37,775
Vehicle loans	57,966	29,088	10,131	6,483	2,508
Overdrafts	27,685	52,822	3,733	4,544	3,808
	29,027	509	1,791	12,795	31,742

Mortgage & other					
Financial leases	30,284	27,650	2,029	1,824	1,269
Total charge-offs	COP 804,213	COP 471,462	COP 128,408	COP 136,789	COP 115,455
Foreign					
Trade financing	COP 74	COP 1,819	COP -		
Loans funded by development banks	62	-	-		
Working capital loans	31,850	21,581	31.240		
Credit cards	13,460	10,734	5.077		
Personal loans	62,854	39,073	21.079		
Vehicle loans	55	88	59		
Overdrafts	1,167	620	407		
Mortgage & other	3,472	2,434	-		
Financial leases	8,385	49	-		
Total charge-offs	COP 121 , 379	COP 76,398	COP 57.862		

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(1) Since 2007 the foreign loan category became material to the Bank due to the acquisition of Banagrícola.

The ratio of charge-offs to average outstanding loans for the years ended December 31, 2009, 2008, 2007, 2006 and 2005 was as follows:

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	Year ended December 31,				
	2009	2008	2007	2006	2005
Ratio of charge-offs to average outstanding loans	2.10%	1.36%	0.60%	0.63%	0.66%

The Bank writes off loans that are classified as “unrecoverable” once they become overdue: (i) 180 days for consumer and micro loans, (ii) 360 days for commercial loans and (iii) 54 months for mortgage loans.

All charge-offs must be approved by the board of directors. Even if a loan is charged off, management remains responsible for decisions in respect of the loan, and neither the Bank nor its Subsidiaries in Colombia are released from their obligations to pursue recovery as appropriate.

The recovery of charged-off loans is accounted for as income in the Consolidated Statement of Operations.

POTENTIAL PROBLEM LOANS

In order to carefully monitor the credit risk associated with clients, the Bank has established a committee that meets monthly dedicated to identifying potential problem loans which are then included in what is called the watch list. In general, these loans are related to clients that could face difficulties in the future in the repayment of their obligations with the Bank but who have had a good record of payment behavior. This situation could be related to internal factors such as economic activity, financial weakness or any other external events that could affect the client’s business.

As of December 31 2009, 961 clients with loans amounting to COP 1.4 billion were performing and part of the watch list.

CROSS–BORDER OUTSTANDING LOANS AND INVESTMENTS

As of December 31, 2009, 2008 and 2007, total cross-border outstanding loans and investments amounted to approximately US$ 4,367 million, US$ 4,386 million and US$ 3,993 million, respectively. As of December 31, 2009, total outstanding loans to borrowers in foreign countries amounted to US$ 3,461 million, and total investments were US$ 905 million. As of December 31, 2009, total cross-border outstanding loans and investments represented 14.43% of total assets.

The Bank had no cross-border outstanding acceptances, interest-earning deposits with other banks or any other monetary assets denominated in pesos or other non-local currencies, in which total exceeded 1% of consolidated total assets at December 31, 2009, 2008 and 2007.

The following table presents information with respect to the Bank’s cross-border outstanding loans and investments for the years ended on December 31, 2009, 2008 and 2007:

	2009	2008	2007
	(thousands of U.S. dollars)		
Mexico	US$ 74,661	US$ 73,830	US$ 91,546
Brazil	141,142	80,383	73,943
United States	124,813	258,665	192,221
Chile	71,809	53,311	57,234
British Virgin Island	32,191	57,594	59,488
Peru	18,203	28,007	12,211
Ecuador	6,658	18,003	16,430

Panama	82,273	54,461	94,375
El Salvador	3,057,261	3,036,433	2,926,703
Cayman Islands	23,336	-	-
Costa Rica	200,721	205,708	64,180
Guatemala	438,622	400,291	289,917

	2009	2008	2007
Venezuela	3,186	7	6,002
Germany	-	-	4,558
Guyana	1,000	2,000	3,000
Honduras	44,876	49,500	38,430
United Kingdom	30,432	32,419	3,122
Spain	7	8	1,038
Switzerland	-	-	15,462
Uruguay	-	-	100
Canada	-	7	1,019
Austria	-	-	1,034
Finland	-	-	1,003
Ireland	-	-	3,438
Sweden	-	-	4,859
Italy	-	1	3,049
Haiti	-	-	2
Norway	-	2	1
Nicaragua	14,322	28,062	28,957
Dominican Republic	-	4,639	-
Curazao	1,000	3,000	-
Argentina	4	-	-
France	2	6	-
Indonesia	2	3	-
Mozambique	-	2	-
Puerto Rico	305	1	-
Saudi Arabia	-	2	-
Trinidad and Tobago	5	6	-
Canarias Islands	57	-	-
Total Cross-Border Outstanding Loansand Investments	US$ 4,366,888	US$ 4,386,351	US$ 3,993,322

E.5. DEPOSITS

The following table shows the composition of the Bank’s deposits for 2009, 2008 and 2007:

	As of December 31,		
	2009	2008	2007
		(COP million)	
Non-interest bearing deposits:			
Checking accounts	COP 5,858,667	COP 5,289,918	COP 5,300,864
Other deposits	449,113	433,542	503,860
Total	6,307,780	5,723,460	5,804,724
Interest bearing deposits:			
Checking accounts	2,366,281	2,011,132	1,567,411
Time deposits	18,331,488	18,652,738	14,304,727
Savings deposits	15,143,781	13,997,070	12,697,288
Total	35,841,550	34,660,940	28,569,426
Total deposits	COP 42,149,330	COP 40,384,400	COP 34,374,150

The following table shows the time deposits held by the Bank as of December 31, 2009, by amount and maturity for deposits:

	At December 31, 2009		
	Peso-Denominated	U.S. dollar - Denominated	Total
		(COP million)	
Time deposits higher than US$ 100,000 (1)			
Up to 3 months	COP 3,829,795	COP 2,801,166	COP 6,630,961
From 3 to 6 months	2,294,725	835,207	3,129,932
From 6 to 12 months	1,439,957	689,329	2,129,286
More than 12 months	1,416,593	357,405	1,773,998
Time deposits less than US$ 100,000 (1)	2,959,556	1,707,755	4,667,311
Total	COP 11,940,626	COP 6,390,862	COP 18,331,488

(1) Approximately COP 204 million at the Representative Market Rate as of December 31, 2009.

For a description of the average amount and the average rate paid for deposits, see "Item 4. Information on the Company – E. Selected Statistical Information – E.1. Distribution of Assets, Liabilities and Stockholders' Equity; Interest Rates and Interest Differential".

E.6. RETURN ON EQUITY AND ASSETS

The following table presents certain selected financial ratios of the Bank for the periods indicated:

	Year ended December 31,		
	2009	2008	2007
		(in percentages)	
Net income as a percentage of:			
Average total assets	2.01	2.34	2.52
Average stockholders' equity	19.59	23.68	26.13
Dividends declared per share as a percentage of consolidatednet income per share (1)	39.92	38.09	39.64
Average stockholders' equity as a percentage ofaverage total assets	10.24	9.89	9.63
Return on interest-earning assets (2)	12.20	13.51	12.95

(1) Dividends are paid based on unconsolidated earnings. Net income per share is calculated using the average number of common and preferred shares outstanding during the year.
(2) Defined as total interest earned divided by average interest-earning assets.

E.7. INTERBANK BORROWINGS

The following table sets forth the foreign interbank borrowings by the Bank for the periods indicated:

As of December 31,					
2009		2008		2007	
Amount	Rate	Amount	Rate	Amount	Rate
(COP million, except percentages)					

End of period	1,152,918	4.13% (4)	2,077,291	3.9%	1,506,611	7.74%
Weighted average during period	1,270,413	3.75%	1,578,252	4.7%	1,748,523	6.70%
Maximum amount of borrowing at any month-end	2,102,719(3)		2,077,291(2)		2,291,460(1)	
Interest paid during the year	47,650		81,178		116,615	

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(1) April

(2) December.

(3) January

(4) Corresponds to the ratio of interest paid to foreign interbank borrowings at the end of 2009.

ITEM 4A. UNRESOLVED STAFF COMMENTS

As of the date of the filing of this Annual Report, the Bank has not received any written comments from the Securities and Exchange Commission (the “SEC”) staff regarding the Bank’s periodical reports required to be filed under the Exchange Act of 1934.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. OPERATING RESULTS

The following discussion should be read in conjunction with Bancolombia’s audited consolidated financial statements for the three-year periods ended December 31, 2009.

Bancolombia’s audited consolidated financial statements incorporate Banco Agrícola’s operation for the twelve-month period ended December 31, 2007 (Bancolombia acquired Banagrícola in May 2007). Therefore, any comparison made between 2008 and 2007 operation’s results incorporates comparable numbers.

Bancolombia’s audited consolidated financial statements for the periods ended December 31, 2009, 2008 and 2007 are prepared following the accounting practices and the special regulations of the Superintendency of Finance, or, in the absence of such regulations, Colombian GAAP. Together, these requirements differ in certain significant respects from U.S. GAAP. Note 31 to the Bank‘s audited consolidated financial statements included in this Annual Report provides a description of the significant differences between Colombian GAAP and U.S. GAAP as they relate to the Bank’s audited consolidated financial statements and provides a reconciliation of net income and stockholders’ equity for the years and dates indicated herein.

Impact of economic, fiscal, monetary policies and political factors on Bancolombia’s results.

Colombia and El Salvador were not immune to the decline in global economic activity during 2009.

In 2009, Colombia’s economy grew at an annual rate of 0.4% as compared to 2008. Although this performance favorably compares to that of the Latin American region during the same period, Colombia’s economy faced a challenging environment throughout 2009: urban unemployment increased to 12.3% in December 2009 from 10.9% the previous year, remittances decreased 14.4% and totaled 4.1 billion USD, while total exports decreased 12.7% over the year, particularly impacted by a 33.5% drop in trade with our second largest trading partner Venezuela.

On the other hand, public demand grew 2.86% in real terms, while government investment in civil works and social programs increased by 7.5% in current terms during 2009. Colombia also maintained access to international debt markets, the amount of foreign direct investment was significant, reaching USD 7.2 billion, and the Central Bank was able to perform countercyclical measures aimed at supporting the economy. Notably, since December 2008, Colombia’s central bank reduced its Repo rate 650 basis points, while the headline inflation ended 2009 at 2%.

Regarding El Salvador, the global downturn caused a significant reduction in external demand, remittances and foreign direct investment. As a result, El Salvador’s economy contracted more than 3% 1in 2009, while its headline inflation ended in negative territory, contracting 0.2% over the year.

The Salvadorian financial system reported loan contraction of 7% 2 in 2009 as part of a difficult year for most of Banco Agrícola’s competitors. Nonetheless, the solid capital base obtained in the years previous to the economic slowdown preserved the quality and the strength of the system. Overall, the system’s capital ratio ended 2009 at 16.6%.

1 Banco Central de la Reserva de El Salvador, December 2009. “Situación Económica 2009 y Perspectivas 2010”.

2 Superintendencia Financiera de El Salvador.

GENERAL DISCUSSION OF THE CHANGES IN RESULTS

Summary

Despite a slow economic growth environment, Bancolombia further strengthened its competitive position and full-service financial model, while benefiting from the diversity of its leading franchises. For the year 2009, net income totaled COP 1,257 billion (COP 1,595 per share – US$ 3.12 per ADR), which represents a decrease of 3% as compared to COP 1,291 billion net income for the fiscal year 2008 and an increase of 16% as compared to COP 1,087 billion net income for the fiscal year 2007.

As a result of lower net income and a less leveraged capital structure, Bancolombia's return on average stockholders' equity for 2009 decreased to 19.6%, from 23.7% and 26.1% in 2008 and 2007, respectively.

Margin compression during 2009: Net interest margin decreased throughout 2009 and reached 7.22% in 2009, down from 7.70% in 2008 and 7.60 in 2007.

Credit cost remained high: Provision charges, net of recoveries, totaled COP 1,153 billion for 2009, up from COP 1,133 billion in 2008 and COP 597 billion in 2007.

Loans and financial leases decreased 6% during the year. This performance was driven primarily by higher than anticipated prepayments and lower demand on corporate loans motivated by increased activity of non-financial firms in the domestic and international debt markets.

Strong balance sheet: reserves for loan losses represented 5.8% of total loans and 149% of past due loans at the end of 2009, while capital adequacy finished 2009 at 13.2% (Tier 1 ratio of 10.4%), higher than the 11.2% (Tier 1 ratio of 9.0%) reported at the end of 2008.

Solid liquidity position: deposits increased 4% during 2009, while the ratio of net loans to deposits (including borrowings from development banks) was 88% at the end of the year.

REVENUE PERFORMANCE

Net Interest Income

For the year 2009, net interest income totaled COP 3,802 billion, up 7% as compared to COP 3,560 billion in 2008 and 35% as compared to COP 2,808 billion in 2007. This performance is explained by the combined effect of lower interest expenses and higher interest income in 2009. Net interest income represented 67% of revenues in 2009, compared to 64% for 2008 and 65% for 2007.

Interest income, which is the sum of interest on loans, financial leases, overnight funds and income from investment securities, totaled COP 6,428 billion in 2009, up 2% as compared to COP 6,314 billion in 2008 and 34% as compared to COP 4,810 billion in 2007. This performance was partially driven by higher income from securities, though it was negatively impacted by lower interest income on loans and financial leases.

Although interest on loans and financial leases benefited from higher average balances in 2009, which increased 9% during the year, such positive effect was completely offset by lower interest rates on loans. The weighted average nominal interest rate on loans and financial leases decreased to 13.1% in 2009 from 14.7% in 2008 and 13.9% in 2007. As a result, interest on loans and financial leases totaled COP 5,624 billion (88% of interest income) and decreased COP 152 billion (or 3%) as compared to 2008.

Interest on investment securities, which incorporates, among other items, the interest accrual of debt securities and mark-to-market valuation adjustments, totaled COP 729 billion in 2009, up 69% and 75% as compared to 2008 and 2007, respectively. This performance was driven by a larger investment portfolio (the Bank's average investment portfolio grew 26% in 2009 as compared to 2008), positive mark-to-market valuation effect due to higher bond prices, positive effects produced by the reclassification of the bank's investment in the private capital fund Fondo inmobiliario Colombia and the recording of the net present value ("NPV") of the estimated residual income derived from the pools of securitized mortgages.

In the fourth quarter of 2009, FCP Colombia Inmobiliaria, a fund that purchases and manages investment in real estate assets. issued units that were not bought by Bancolombia. As a result the Bank no longer held a controlling interest in the fund, stopped consolidating its financial statements and reclassified this investment as part of the trading category in order to be in compliance with accounting regulations on this matter. This reclassification produced positive effects in the Bank's income from investment securities, which was positively impacted by income of COP 100 billion related to the greater market value of the Fund's units in 2009. In addition, and in accordance with new regulations related to the accounting treatment of securitized mortgages issued by Colombian regulators, the Bank recorded, for the first time, the NPV of the estimated residual income that will be generated by the pools of securitized mortgages. Under the terms of the mortgage securitization transaction documents, Bancolombia is entitled to receive any residual income generated by the pool of mortgages after complete payment of the pool's debt services and administrative charges. Therefore, the Bank proceeded to incorporate, for the first time, into the value of its mortgage backed securities, the net present value of the expected estimated residual income which takes into account performance assumptions based on historical statistical data. As a result, interest income from investment securities was positively impacted by income of COP 58 billion related to the greater value of the mortgage backed securities in 2009. The combined positive effect then, of the reclassification of Fondo Inmobiliario Colombia's units in the trading category and the incorporation of the NPV of the residual income generated by pools of securitized mortgages into the value of mortgage backed securities was COP 158 billion and accounts for 53% of the year over year variation in the interest on investment securities.

Regarding interest expenses, despite greater average volume of interest-bearing liabilities in 2009, which increased 13% as compared to 2008, interest paid on such liabilities decreased 5% over the year and totaled COP 2,625 billion in 2009, down COP 128 billion as compared to 2008, although still above COP 2,002 billion in 2007. Such a decrease in interest expenses is explained by lower interest rates paid on deposits and a more favorable funding mix (one with a greater proportion of demand deposits). Overall, the average interest rate paid on interest-bearing liabilities decreased to 5.6% in 2009 from 6.6% in 2008 and 6.2% in 2007.

Net Fees and Income from Financial Services

For the year 2009, net fees and income from services totaled COP 1,506 billion, up 15% as compared to 2008 and 30% as compared to 2007. This increase was driven primarily by the solid performance of credit and debit card annual fees, fiduciary activities and collection and payments fees.

Despite the lower economic activity, our distributions channels performed an increasing number of transactions in 2009. In particular, our Colombia Banking operation performed more than a billion transactions during 2009, which represents an increase of 5% as compared to the levels experienced in 2008. The higher transactional levels, together with fee increments and the elimination of fee exemptions in certain payment instruments (like debit cards and credit cards) for some segments explained the solid performance of fees. In addition, fiduciary activities benefited from the increase in assets under management, which amounted to COP 55,153 billion by year end in 2009 up from COP 42,677 billion in 2008 and 39,609 billion in 2007.

The following table lists the main revenue-producing fees along with their variation from the prior fiscal year:

	Year			Growth
	2009	2008	2007	2009/2008
		(COP million)		
Main fees and commissions				
Commissions from banking services	258,180	238,918	279,528	8.06%
Electronic services and ATM fees	58,944	86,070	80,711	(31.52)%
Branch network services	110,837	104,010	104,601	6.56%
Collections and payments fees	187,348	157,281	130,421	19.12%
Credit card merchant fees	28,200	32,215	39,191	(12.46)%

		Year		Growth
	2009	2008	2007	2009/2008
		(COP million)		
Main fees and commissions				
Credit and debit card annual fees	548,820	446,647	293,583	22.88%
Checking fees	69,544	67,963	67,438	2.33%
Fiduciary activities	172,259	98,799	69,200	74.35%
Pension plan administration	96,678	87,826	82,453	10.08%
Brokerage fees	45,966	54,742	62,493	(16.03)%
Check remittance	25,812	26,148	22,762	(1.28)%
International operations	46,836	47,962	43,643	(2.35)%
Fees and other service expenses	(143,151)	(134,939)	(116,453)	6.09%
Total fees and income from services, net	1,506,273	1,313,642	1,159,571	14.66%

Other Operating Income

For 2009, total other operating income was COP 381 billion, substantially lower than the COP 650 billion reported in 2008, but above the COP 351 billion obtained in 2007.

During 2008, the Colombian Superintendency of Finance issued external circulars number 025, 030, 044 and 063 (the "2008 External Circulars") establishing new guidelines for the valuation of derivatives and structured products. As a result of this change, Bancolombia recorded a reduction in the carrying value of derivatives that produced non-recurring charges of COP 145 billion in 2008 and COP 123 billion in 2009. However, the net impact of such regulatory change was greater in 2009, because in 2008 other operating income was positively affected by greater mark-to-market gains produced by the formerly used methodology, which yielded results that were magnified by the market's conditions in the second half of 2008. Bancolombia finished amortizing the non-recurring adjustments in carrying value related to the change in methodology in the first half of year 2009.

In addition, the sale of Bancolombia's interest in Multienlace S.A. positively affected other operating income in 2008. As part of this transaction, the Bank recorded non-recurring gains on sales of investment securities of COP 92 billion for 2008.

Operating expenses

For 2009, operating expenses totaled COP 2,826 billion, up 10% as compared to 2008 and 28% as compared to 2007.

Personnel expenses (the sum of salaries and employee benefits, bonus plan payments and compensation) totaled COP 1,145 billion in 2009, up 6% as compared to 2008. This performance was primarily driven by the combined effect of larger headcount (the bank increased its number of employees to 1,473 during 2009, representing a 7% increase compared to 2008) and wage increments during 2009, which off-set lower bonus plan payments and compensation in 2009 vs. 2008.

Administrative and other expenses totaled COP 1,418 billion in 2009, up 12% as compared to 2008, driven by increased fees paid in connection with software development and IT upgrades, greater collection efforts, greater costs associated to deposit insurance and larger assumed taxes and tariffs.

Depreciation expense totaled COP 185 billion in 2009, increasing 31% as compared to 2008. This increase was driven by the growth in the depreciation of assets that are part of the operating lease business of Bancolombia. In particular, COP 70 billion or 38% of 2009's depreciation expense is associated with operating lease assets.

The following table summarizes the principal components of Bancolombia's operating expenses for the last three fiscal years:

	Year ended December 31,		
	2009	2008	2007
		(COP million)	
Operating expenses:			
Salaries and employee benefits	1,034,942	928,997	835,150
Bonus plan payments	90,341	125,393	84,226
Compensation	19,725	23,539	23,463
Administrative and other expenses	1,418,145	1,268,982	1,070,845
Deposit security, net	74,228	52,151	49,113
Donation expenses	3,506	26,653	15,375
Depreciation	185,027	141,133	122,835
Goodwill amortization	69,231	73,149	70,411
Total operating expenses	2,895,145	2,639,997	2,271,418

Provision Charges and Credit Quality

For the year 2009, provision charges (net of recoveries) totaled COP 1,153 billion (or 2.6% of average loans), which represents an increase of 2% as compared to COP 1,133 billion in 2008 (or 2.8% of average loans) and an increase of 93% as compared to 597 billion in 2007 (or 1.8% of average loans). The high level of credit cost was driven by higher net charge-offs in our loan portfolio and higher reserve additions for deterioration across all credit segments, reflecting the lower economic activity and weaker labor markets.

Net loans' charge-offs totaled COP 926 billion in 2009, up 69% from 548 COP billion in 2008 and 400% from 186 billion in 2007, while the increase in the amount of past due loans before charge-offs amounted to COP 929 billion in 2009, down 13% as compared to COP 1,067 billion in 2008, but considerably higher than COP 531 billion in 2007.

The delinquencies ratio (loans overdue more than 30 days divided by total loans) reached 3.87% as of the end of 2009, up from 3.64% at the end of 2008 and 2.93% at the end of 2007.

Allowance for credit losses

Under Colombian GAAP and according to the rules issued by the Colombian Superintendency of Finance, a bank must follow minimum provided standards for establishing allowances for loan losses, which require banks to analyze on an ongoing basis the credit risk to which their loan portfolio is exposed, considering the terms of the corresponding obligations as well as the level of risk associated with the borrowers. The risk evaluation is based on information relating to the historical performance data, the particular characteristics of the borrower, collaterals, debt service with other entities, macroeconomic factors and financial information, among others. The standards for provisioning vary for every credit category.

Commercial and consumer loans are provisioned following standard models developed by the Superintendency of Finance. According to the models the allowance for loan losses is stated through the calculation of the Expected Loss:

Expected Loss = [Probability of default] x [Exposure at default] x [Loss given default]

The probability of default is calculated and provided by the Superintendency of Finance based on historical data. Exposure at default is defined as the current balance of the principal, interest, interest receivable accounts and other receivables regarding consumer and retail loan obligations at the moment of default. The Loss Given Default ("LGD") is defined as the expected loss occurred after default and is calculated and provided by the Superintendency of Finance. The LGD varies according to the type of collateral and would increase gradually depending on the number of days the loan has been in default. It is important to note that since 2008, Bancolombia has applied stricter parameters in the estimation of the LGD of its loan portfolio by reducing the number of the past due days that are used in such calculation. Therefore, allowances increased and produced higher provision charges that reflected on higher coverage ratio for loan losses. In addition to the allowances calculated by the reference models, the Bank also sets up marginal allowances for certain clients which are considered to bear an increased inherent risk due to determined risk factors such as macroeconomic or industry deterioration trends or any other factors that could indicate early impairment. The changes in the LGD parameters and the marginal allowances for certain clients in the commercial loan portfolio were made to better reflect the credit risk associated with increasing defaults and the deterioration of the economy.

For mortgage and microcredit loans there are no standard models required or provided by the regulator. In order to calculate allowances for these segments, the Bank must maintain at all times individual provisions equal to greater than the minimum percentages provided by the Colombian Superintendency of Finance. The minimum percentages vary depending on the risk category assigned to every loan within the mortgage and microcredit categories (the higher the risk, the higher the allowance percentage). In addition, the minimum percentages might differ if the loan has any collateral.

The Bank has also adopted, for its Colombian operation, a more rigorous policy in the calculation of allowances for mortgage and microcredit loans as compared to that required by the regulator. The Bank's policy aims at better reflecting the higher risk of these segments throughout the economic downturn. Such policy has established higher allowance percentages for loans classified in the C, D and E risk categories.

For mortgage and microcredit loans, the Bank sets up a general allowance, which corresponds to one percent (1%) of the outstanding principal. By virtue of applying the Standardized Models for commercial and consumer loans, no general allowances are any longer assigned to commercial and consumer loans.

All in all, allowances for loan and financial lease losses amounted to COP 2,432 billion or 5.8% of total loans at the end of 2009 and increased from COP 2,134 billion, or 4.8% of total loans as of December 31, 2008. Likewise, coverage for loan losses, measured by the ratio of allowances to PDLs (overdue 30 days), reached 149% at the end of 2009, up from 131% at the end of 2008. The coverage increase reflects the Bank's prudent approach toward risk and incorporates as mentioned above stricter parameters than those required by the Superintendency of Finance. As of December 31, 2009, allowances in the amount of COP 494 billion were recorded in excess of the minimum allowances required by Colombia's Superintendency of Finance.

The Bank's management considers that the Bank's allowances for loan and financial leases losses adequately reflect the credit risk associated with its loan portfolio given the current economic environment and the available information upon which the credit assessments are exercised. Nonetheless, the methodology used in the allowance and provision charges determination is based on the existence and magnitude of determined factors that are not necessarily an indication of future losses and accordingly no assurance can be given that current allowances and provision charges will exactly reflect actual losses.

For further details regarding the regulation and methodologies for the calculation of allowances following the accounting practices and the special regulations of the Superintendency of Finance, please see "Note 2.i. Loans and Financial Lease" of Notes to Financial Statements included in this Annual Report.

For a description of the loan portfolio, the summary of loan experience, potential problem loans and charge-offs see "Item 4. Information on the Company – E. Selected Statistical Information – E.3. Loan Portfolio" and "Item 4. Information on the Company – E. Selected Statistical Information – E.4. Summary of loan loss experience".

Allowances for loan losses calculated following practices and special regulations of the Superintendency of Finance differ in certain significant respects from U.S. GAAP. Note 31- e) "Allowance for loan losses, financial leases, foreclosed assets and other receivables" to the Bank's audited consolidated financial statements included in this Annual Report provides a description of the significant differences between Colombian GAAP and U.S. GAAP in this respect and a reconciliation of allowances following U.S. GAAP.

Merger Expenses and Goodwill Amortization

For the year ended December 31, 2009, goodwill amortization amounted to COP 69 billion, down from COP 73 billion in 2008 (5% decrease) and COP 70 billion in 2007 (2% decrease). During 2008 the Bank completed the amortization of goodwill recorded in connection with the acquisition of Banco de Colombia S.A. that occurred in the year 1998.

As of December 31, 2009, outstanding goodwill totaled COP 856 billion, which represents a 15% decrease from COP 1,009 billion at the end of 2008. Outstanding goodwill represented 1.4% of the Bank's total assets and primarily comprises the goodwill related to the acquisition of Banagrícola, which will be amortized over 20 years beginning in May 2007.

Non-Operating Income (Expenses)

Net non-operating income, which includes gains/losses from the sale of foreclosed assets, property, plant and equipment and other assets and income from minority interests, totaled COP 78 billion in 2009, significantly higher than COP 13 billion in 2008. This performance is explained by lower non-operating expenses in 2009, which decreased 25% compared to 2008, driven by lower expenses related to legal proceedings.

The following table summarizes the components of the Bank's non-operating income and expenses for the last three fiscal years:

	Year ended December 31,		
	2009	2008	2007 (3)
		(COP million)	
Non-operating income (expenses), net:			
Other income (1)	198,761	172,550	93,294
Minority interest	(15,081)	(18,511)	(13,246)
Other expenses (2)	(105,529)	(140,662)	(81,236)
Total non-operating income (expenses), net	78,151	13,377	(1,188)

(1) Includes gains on sale of foreclosed assets, property, plant and equipment and other assets, securitization residual benefit, insurance contracts sale and rent.
(2) Include operational losses and losses from the sale of foreclosed assets, property, plant and equipment and payments for fines, sanctions, lawsuits and indemnities.
(3) The non-operating income (expenses), net for the year ended 2007 was modified to reflect certain reclassifications made in commissions from banking services and other services, administrative and other expenses and other income that conform to the presentation of 2008 figures, in order to provide a better basis of comparison with respect to 2008 figures regarding the gains on the sale of mortgage loans.

Income Tax Expenses

Income tax expense for the fiscal year 2009 totaled COP 462 billion, down 3% as compared to COP 474 billion in 2008 and above the COP 362 billion in 2007.

Tax expense is determined for every subsidiary following the tax law of the country where it is domiciled. It is important to note that Bancolombia (unconsolidated), Leasing Bancolombia, Banca de Inversion Bancolombia and Fiduciaria Bancolombia signed an agreement with the Government of Colombia in order to be subject to the tax stability regime for ten years beginning on January 2001. Pursuant to the tax stability regime, those firms agreed to be taxed two percentage points above the applicable income tax rate in Colombia in exchange for an exemption with regard to any new national taxes or rates required after the date of the agreement. For this reason, in 2009, 2008 and 2007, Bancolombia (unconsolidated), Leasing Bancolombia, Banca de Inversion Bancolombia and Fiduciaria Bancolombia did not pay any financial transaction tax, wealth tax or income surtax. Consequently, Bancolombia (unconsolidated), Leasing Bancolombia, Banca de Inversion Bancolombia and Fiduciaria Bancolombia were taxed at a total income tax rate of 36% for the fiscal year 2007, and 35% for the year 2008 and 2009, 2 percentage points above the required tax rate for the companies that were not subject to the tax stability regime in Colombia. This agreement will be terminated in December 31, 2010 (in the case of Fiduciaria Bancolombia, the agreement was terminated in December 31, 2009).

In the case of Bancolombia Panama and Subsidiaries, Banagrícola and Banco Agrícola Panama, which are domiciled in Panama and permitted to operate through an international banking license, income tax is governed by the Panamanian tax law. Pursuant to Panamanian tax law Bancolombia Panama and Subsidiaries, Banagrícola and Banco Agrícola Panama Profits are not subject to income tax in Panama. Subsidiaries incorporated in El Salvador pay income tax of 25% on profits obtained within the country. For further details about the income tax expense calculation see "Note 21. Accrued Expenses – Income Tax Expense" of Notes to the Consolidated Financial Statements.

GENERAL DISCUSSION OF THE CHANGES IN RESULTS FOR 2008 V.S 2007

Bancolombia delivered strong results in 2008 as it reported a net income of Ps 1,290.6 billion for the year (Ps 1,638.23 per share and US$ 2.92 per ADR), increasing 18.7% compared to 2007 figures.

During 2008, the Bank experienced an expansion in its business areas driven by loan growth of 18.4% over the year while maintaining a strong balance sheet in terms of coverage for loan losses, solid liquidity and capital position, as well as profitable operations with an average return on equity of 23.7% in 2008, decreasing slightly from the 24.4% recorded for the same period in 2007.

During 2008, allowances for loan losses increased to Ps 2,134.4 billion (4.8% of gross loans and financial leases), maintaining the level of coverage, measured by the ratio of allowances to past due loans, close to 135%.

The delinquencies ratio (loans overdue more than 30 days) increased to 3.6% by the end of 2008 from 2.9% as of December 31, 2007.

Driven by the operating results of the Bank in 2008, shareholders'equity totaled Ps 6,117 billion by December 31, 2008, increasing 17.6% as compared to the figure as of December 31, 2007.

Bancolombia experienced a favorable evolution of deposit growth during 2008. As of December 31, 2008, Bancolombia's deposits reached Ps 40,384 billion, increasing 17.5% as compared to the deposits at the end of 2007, while the ratio of net loans to deposits (including borrowings from development banks) was 96% by the end of 2008, stable as compared to the 96% ratio by the end of 2007.

Net interest income for the year 2008 totaled Ps 3,560.4 billion, increasing 26.8% as compared to the same figure for 2007, driven by the 18.4% loan growth and wider spreads during that period. Net interest margin increased from 6.8% in 2007 to 7.4% in 2008.

Bancolombia's efficiency ratio, measured as the ratio between operating expenses and net operating income, reached 47.8% in 2008, improving in relation to the 53.0% ratio for 2007.

INCOME STATEMENT

Net income for the year ended December 31, 2008 totaled Ps 1,290.6 billion, increasing 18.7% as compared to the year ended December 31, 2007. Return on average equity for the year ended December 31, 2008 was 23.7%, decreasing slightly from the 24.4% recorded for the same period in 2007. The performance of the Bank was primarily driven by solid revenue generation and an expanding lending business and was underpinned by its strong franchises. At the same time, the Bank's performance was challenged by a less favorable credit and overall economic environment which impacted credit cost as a result of higher provision charges during the period.

During 2008, interest on loans reached Ps 4,999.5 billion, increasing 34.8% as compared to the Ps 3,707.8 billion recorded in 2007, while interest on financial leases reached Ps 776.4 billion increasing 36.0% as compared to 2007. Interest on investment securities increased 3.6% to Ps 431.6 billion when compared to the figure for 2007. Overall, total interest income reached Ps 6,313.7 billion, increasing 31.2% as compared to 2007. The Interest received from earning assets increased Ps 1,502.5 billion between December 31, 2007, and December 31, 2008, driven primarily by an increase in the average loans during the period (higher volume). Of the Ps 1,502 billion increase in interest received, Ps 1,237 billion corresponded to the increase in volume, and Ps 265.8 billion corresponded to the increase in interest rates.

Interest expenses reached Ps 2,753.3 billion in 2008, up 37.5% compared to the figure for 2007, driven by higher interest paid for deposits and Bonds which grew 43.23% and 66.3% respectively. Interest paid on liabilities increased Ps 751.2 billion during the same period, driven mainly by an increase in the volume of such liabilities, particularly peso denominated time deposits. Of the Ps 751.2 billion increase in interest expense, Ps 659.5 billion correspond to an increase in volume and Ps 92.0 billion correspond to an increase in interest rates.

Net interest income for the year 2008 totaled Ps 3,560.4 billion, increasing 26.8% as compared to the same figure for 2007, driven by the 18.4% loan growth and higher margins during the period. Net interest margin increased from 6.8% in 2007 to 7.4% in 2008 due to higher interest spreads in the loan portfolio and a steady income from investment securities despite more volatile bond market conditions.

Net fees and income from services totaled Ps 1,313.6 billion in 2008, increasing 13.3% as compared to the same period of 2007. Fee revenue performance was driven by credit and debit card fees, which totaled Ps 446.6 billion for the year ended December 31, 2008, increasing 52.1% as compared to the same period last year. Fees related to fiduciary activities totaled Ps 98.8 billion in 2008, increasing 42.8% as compared to 2007 (driven by increasing assets under management), and fees related to collection and payment service which totaled Ps 157.3 billion in 2008, increasing 20.6% as compared to the same period last year. Net fees and income from services performance was impacted by lower credit card merchant fees which totaled Ps 32.2 billion for the year ended December 31, 2008, decreasing 17.8% as compared to the same period last year, and by fees and other services expenses which totaled Ps 134.9 billion in the year ended December 31, 2008, increasing 15.9% as compared to 2007.

Total other operating income totaled Ps 650.4 billion in 2008, increasing 85.5% compared to the Ps 350.6 billion for 2007. This result was positively impacted by sales of equity securities, as the Bank recorded gains on sales of investment securities of Ps 92.1 billion driven by the sale of interest in Multienlace S.A., and negatively impacted by rule changes concerning valuation methodologies for derivative instruments issued by the Superintendency of Finance in 2008. In 2008, net foreign exchange gains reached Ps 113.6 billion driven by the peso depreciation that took place over the year as this line item aggregates net gains (or losses) of the peso conversion of U.S. dollar denominated assets and liabilities, trading gains, and foreign currency sales profits. Bancolombia usually hedges its currency exposure by establishing an opposite position in its derivative portfolio in order to minimize its exposure to drastic movements in exchange rates. Accordingly, exchange rate movements tend to have an opposite effect on the line item for derivative financial instruments compared to the effect produced on the line item for net foreign exchange gains.

As previously mentioned, the Superintendency of Finance issued new guidelines for the valuation of derivatives and structured products. As a result of this change, Bancolombia's balance sheet and financial results were impacted by a reduction in the carrying value of derivatives totaling Ps 145 billion in the 2008 fiscal year, resulting in a reduction in income of Ps 145 billion in the year 2008. Nevertheless, income from derivative financial instruments amounted to Ps 142.4 billion for the year ended December 31, 2008, a stable outcome as compared to Ps 141.9 billion of income presented in this line item for 2007.

During 2008, Bancolombia adjusted the parameters of the provisioning models used for the calculation of provision charges in Bancolombia (unconsolidated), Sufinanciamiento,and Leasing Bancolombia. The parameters used were stricter than the minimum parameters defined by the Colombian regulators and were aimed at increasing coverage. As a result, total net provisions charges for the year 2008 amounted to Ps 1,133.2 billion, increasing 89.8% as compared to 2007. The higher level of provision charges during the year were driven by the deterioration in asset quality as shown by increase in past due loans derived from lower economic activity and higher interest rates in the economy. Delinquencies ratio (loans overdue more than 30 days) reached 3.64% by the end 2008, up from the 2.93% ratio recorded by the end of 2007. At the same time, charge-offs of bad loans totaled Ps 547.9 billion during 2008, increasing from the Ps 186.3 billion presented in the year 2007. These adjustments enabled the Bank to maintain the level of coverage, measured as the ratio of allowances for loans and financial leases losses accrued interest losses to past due loans, close to 135% by the end of 2008, showing the strength of Bancolombia's balance sheet. Allowances for loans and financial leases losses increased to Ps 2,134.4 billion during 2008 (4.8% of gross loans and financial leases), increasing 46.5% compared to the figure presented by the end of 2007. The higher provision charges also reflect the increase in the size of the loan portfolio during the year 2008 as loans increased 18.4% during the period. Recovery of charged-off loans reached 108.1 billion during 2008, increasing 20.2% as compared to the figure for 2007. Overall, the Bank faced higher credit cost during the year although some of it is due to a conservative effort to maintain the level of reserves.

For the year ended December 31, 2008, total operating expenses amounted to Ps 2,640 billion, increasing 16.2% as compared to the year ended December 31, 2007. The increase in operating expenses was driven by administrative and other expenses that totaled Ps 1,269.0 billion for 2008, increasing 18.5% as compared to the same period last year. Personnel expenses (the sum of salaries and employee benefits, bonus plan payment and compensation) totaled Ps 1,077.9 billion for the year 2008, increasing 14.3% as compared to 2007. Personnel expenses were primarily driven by bonus plan payments which are part of Bancolombia's variable compensation program. For the year ended December 31, 2008, efficiency, measured as the ratio of operating expenses to net operating income, improved for the second consecutive year falling to 47.8% in 2008, from 53.0% in 2007.

RESULTS BY SEGMENT

The Bank manages its business through six main operating segments: Retail and Small Business Banking, Corporate and Governmental Banking, Treasury, Offshore Commercial Banking, Leasing and All Other Segments.

Retail & SMEs and Corporate & Governmental Banking segment results are determined by identifying the income and expenses related to their clients, which in turn are classified according to their size or inherent characteristic. Treasury segment results are determined by the income and expenses related to the products and transactions of such division. On the other hand, Offshore Commercial Banking, Leasing and All Other Segment results are determined by grouping subsidiaries that share similar characteristics. The expenses related to the Bank's operations are assigned to segments defined by the management. The expenses that are not associated directly to a particular segment are assigned proportionally to the utilization of resources by each segment. This way, all segments absorb all the expenses and it is possible to estimate a profit by segment. The following is a brief description of Bancoloombia's operating segments:

Retail and Small Business Banking: The Bank's Retail Banking segment provides a wide range of financial products and services to individuals and SMEs from both the public and private sectors (firms with annual sales of under COP 16,000 million) in Colombia and El Salvador. Bancolombia's Retail and Small Business Banking segments serve a wide range of clients with different needs, goals and lifestyles.

Corporate and Governmental Banking: This segment provides commercial banking products and services to local and international companies with annual sales of more than COP 16,000 million in both the public and private sectors. The Bank's strategy is to grow with these clients based on value-added, long-term relationships. In order to offer specialized services to clients engaged in a diverse spectrum of industries, the Bank's sales force determines the needs and its challenges of each client and specializes in nine economic sectors: Agribusiness, Commerce, Manufacturing of Supplies and Materials, Media, Financial Services, Non-Financial Services, Construction, Government and Natural Resources.

Treasury: This segment is responsible for the management of the Bank's proprietary trading activities, liquidity and distribution of treasury products and services to its client base in Colombia. In addition, Bancolombia's Economic Research Department is included in this division.

Offshore Commercial Banking: Bancolombia Panamá S.A., Bancolombia Cayman, Bancolombia Puerto Rico Internacional Inc. and Banco Agrícola (Panama) S.A. provide a complete line of offshore banking services to Colombian and Salvadorian customers, including loans to private sector companies, trade financing, lease financing, financing for industrial projects as well as a complete portfolio of cash management products, such as checking accounts, international collections and payments. Through these Subsidiaries, the Bank also offers investment opportunities in U.S. dollars, savings and checking accounts, time deposits, and investment funds to its high net worth clients and private banking customers.

Leasing: This segment provides financial and operational leases, including cross-border and international leasing services to clients in Colombia as well as in Central America, Mexico and Brazil. Bancolombia offers these services through the following Subsidiaries: Leasing Bancolombia, Renting Colombia, Renting Perú S.A., Tempo Rent a Car S.A., Capital Investment Safi S.A, Suleasing International USA Inc., and Arrendadora Financiera S.A.

All Other Segments: This segment provides the following products and services: (i) Investment Banking services for corporate customers in areas such as mergers and acquisitions, project finance, issuances of debt and equity securities and syndicated loan transactions (ii) Brokerage and Asset Management (iii) Trust, and Insurance (iv) Bancassurance and (v) Pension Fund Management.

The following discussion should be read in conjunction with Bancolombia's segment disclosure presented in the notes to the audited consolidated financial statements, See "Note 31 – x). – Segments Disclosure Differences Between Colombian Accounting Principles for Banks and U.S. GAAP – Summary of Significant differences and required U.S. GAAP disclosures for the period ended December 31, 2007, 2008 and 2009".

Retail and Small Business Banking

COP Billion	2009	2008	2007	Var 09/08	Var 09/07
Total Revenues	3,084	2,901	2,218	6%	39%
Provisión for loan losses (-)	901	802	422	12%	114%
Expenses	(1,804)	(1,647)	(1,404)	10%	28%
Net income after eliminations	392	393	325	0%	20%

Net income after eliminations of intersegment profit for the Retail and Small Business Banking segment totaled COP 392 billion in 2009, stable from COP 393 billion in 2008 and 20% above COP 325 billion in 2007. Net income for the Retail and Small Business Banking segment represented 31% of the Bank's total net income in 2009.

Revenues for the Retail and Small Business Banking segment totaled COP 3,084 billion in 2009, up 6% and 39% as compared to 2008 and 2007, respectively. This performance was driven by higher fees and income from services within this segment, which are reflected in higher revenues from external customers (17% up in 2009 versus 2008).

During 2009, credit cost remained high for this segment. Provision charges for loan losses totaled COP 901 billion, up 12% as compared to 2008 and 114% as compared to 2007. Weak employment and economic activity in general had a direct effect on the delinquencies and weakening credit quality throughout 2009.

Expenses (which are composed of administrative and other expenses and depreciation and amortization expense) reached COP 1,804 billion, 10% above COP 1,647 billion in 2008.

Corporate and Governmental Banking

COP Billion	2009	2008	2007	Var 09/08	Var 09/07
Total revenues	1,217	1,144	927	6%	31%
Provision for loan losses (-)	260	330	188	(21)%	39%
Expenses	(432)	(414)	(356)	4%	21%
Net income after eliminations	417	308	308	35%	35%

Net income after eliminations of intersegment profit for the Corporate and Governmental Banking segment totaled COP 417 billion, a 35% increase over COP 308 billion in the years 2008 and 2007, respectively. Net income for the Corporate and Governmental Banking segment represented 33% of the Bank's total net income in 2009.

Revenues for the Corporate and Governmental Banking segment after eliminations totaled COP 1,217 billion in 2009, up 6% and 31% as compared to 2008 and 2007, respectively. Such performance was primarily driven by higher net interest income (up 11% in 2009 versus 2008) due to lower interest expense during the year.

Despite the more challenging economic environment, provision charges for the Corporate and Governmental Banking segment decreased in 2009 to COP 260 billion, down 21% as compared to 2008, though above COP 188 billion in 2007. Such performance is explained by recoveries of provisions related to loan prepayments, which were significant within this segment in 2009.

Expenses (which are composed of administrative and other expenses and depreciation and amortization expense) totaled COP 432 billion, 4% above the COP 414 billion in 2008 and reflected the cost containment efforts undertaken by the segment.

Treasury

COP Billion	2009	2008	2007	Var 09/08	Var 09/07
Total revenues	247	371	315	(33)%	(22)%
Provision for loan losses (-)	25	(11)	(15)	(325)%	(273)%
Expenses	(65)	(76)	(45)	(14)%	44%
Net income after eliminations	125	231	232	(46)%	(46)%

Net income after eliminations of intersegment profit for the Treasury segment totaled COP 125 billion and decreased 46% as compared to 2008 and 2007. Net income for the Treasury segment represented 10% of the Bank's total net income in 2009.

Revenues for the treasury segment totaled COP 247 billion in 2009, decreasing from COP 371 billion in 2008. As previously mentioned, new guidelines for the valuation of derivatives and structured products issued by the Superintendency of Finance produced a negative effect on Treasury division revenues. As a result of these adjustments, revenues were impacted by non-recurring charges of COP 123 billion that accounted for most of the year over year decrease.

Reversal of provision charges relating to debt securities produced a net positive effect in this line item of COP 25 billion in 2009, while expenses (which are composed of administrative and other expenses and depreciation and amortization expense) totaled COP 65 billion, 14% below the 76 billion in 2008 and reflected lower bonus payments in 2009.

Offshore Commercial Banking

COP Billion	2009	2008	2007	Var 09/08	Var 09/07
Total revenues	105	51	105	105%	0%
Provision for loan losses (-)	10	16	19	(39)%	(49)%
Expenses	(80)	(69)	(32)	15%	152%
Net income after eliminations	33	(15)	72	(322)%	(54)%

Net income after eliminations of intersegment profit for the Offshore Commercial Banking segment totaled COP 33 billion, significantly higher than the loss of COP 15 billion in 2008, although still below the COP 72 billion of net income in 2007. Net income for the Offshore Commercial Banking segment represented 3% of the Bank's total net income in 2009.

Revenues for the Offshore Commercial Banking segment totaled COP 105 billion in 2009, 2.1 times the COP 51 billion of 2008. Such performance is explained by higher interest income (up 13% over the year) and lower interest expense (down 10% over the year). Interest income benefited from greater spread in loans, while interest expense was positively impacted by lower interest rates and a more favorable funding mix (a greater portion of clients' deposits). It is important to note that the performance of Bancolombia Panamá included in this segment refers only to the results reported by Bancolombia Panamá's offshore commercial banking activities and does not consolidate the results of Banagrícola, which are reflected in the results for the other segments as appropriated.

Credit cost for this segment was lower throughout 2009 due to reserve recoveries caused by loan prepayments. Provision charges for the Offshore Commercial Banking segment decreased in 2009 and totaled COP 10 billion, down 39% as compared to 2008 and 49% as compared to 2007.

Expenses, which are composed of administrative and other expenses and depreciation and amortization expense, totaled COP 80 billion, 15% above the COP 69 billion in 2008.

Leasing

COP Billion	2009	2008	2007	Var 09/08	Var 09/07
Total revenues	561	533	316	5%	78%
Provision for loan losses (-)	177	143	109	23%	63%
Expenses	(303)	(257)	(102)	18%	197%

Net income after eliminations	116	152	131	(24)%	(11)%

This segment reflects the operations of the Bank's subsidiaries that offer financial and operational leases: Leasing Bancolombia S.A., Renting Colombia S.A., Renting Perú S.A.C, RC Rent a Car S.A.S., Capital Investment Safi S.A., Suleasing International USA Inc. and Arrendadora Financiera S.A.

Net income after eliminations of intersegment profit for the Leasing segment totaled COP 116 billion for the year ended December 31, 2009 and represented 9% of the Bank's total net income. Earnings for this segment decreased 24% in 2009 as compared to 2008 and 11% as compared to 2007. This performance is primarily explained by higher provision charges and expenses during the year.

Revenues for the Leasing segment totaled COP 561 billion in 2009, up 5% as compared to 2008 and 78% as compared to 2007, driven by a good performance of revenues from external customers and partially offset by lower net interest income.

On the other hand, provision charges for the Leasing segment increased significantly in 2009 and totaled COP 177 billion, up 23% and 63% as compared to 2008 and 2007, respectively. Greater deterioration of asset quality, especially in auto leases, explains this increase.

Expenses (which are composed of administrative and other expenses and depreciation and amortization expense) totaled COP 303 billion, 18% above the 257 billion in 2008. It is important to note that higher depreciation cost derived from increasing operational leasing assets accounts for a large part of this cost increase. Depreciation expense totaled COP 134 billion in 2009 and increased 35% over the year.

All Other Segments

COP Billion	2009	2008	2007	Var 09/08	Var 09/07
Total revenues	759	1,058	572	(28)%	33%
Provision for loan losses (-)	23	38	26	(40)%	(12)%
Expenses	(538)	(422)	(395)	28%	36%
Net income after eliminations	175	221	139	(21)%	26%

This segment reflects the remaining operations of the Bank, including: Banca de Inversión, Valores Bancolombia S.A., Fiduciaria Bancolombia S.A., Banagrícola S.A., Asesuisa S.A., Asesuisa Vida S.A., AFP Crecer S.A, FCP Colombia Inmobiliaria, Inversiones Financieras Banco Agrícola S.A., Bursabac S.A. de C.V., Inmobiliaria Bancol S.A., Valores Simesa S.A., Inversiones CFNS Ltda., Todo Uno Colombia S.A., Inversiones IVL S.A, Transportes Empresariales de Occidente Ltda. and Fiduciaria GBC S.A. Some expenses from the Bank's corporate headquarters and dividends received by the Bank are included in this segment as well.

Net income after eliminations of intersegment profit for this segment totaled COP 175 billion in 2009, which represents a decrease of 21% as compared to 2008, driven by lower revenues and higher expenses during the year. Net income for this segment represented 14% of the Bank's total net income in 2009.

Revenues for this segment totaled COP 759 billion in 2009, 28% down as compared to 2008, although 33% above the COP 572 billion in 2007. During 2008, this segment revenue incorporated the earnings derived from the sale of the Bank's interest in Multienlace S.A., reflecting a gain of COP 92 billion. During 2009, no gain from sales on investment securities was recorded which would affect the comparison between periods.

Expenses (which are composed of administrative and other expenses and depreciation and amortization expense) totaled COP 538 billion, 28% above the 422 billion in 2008 and reflected the higher expenses for software development and IT upgrades, greater collection efforts, greater costs associated to deposit insurance and larger assumed taxes and tariffs which are recorded within this segment.

B. LIQUIDITY AND CAPITAL RESOURCES

B.1. LIQUIDITY AND FUNDING

Market Scenario

Macroeconomic policies established by Colombia's Central Bank impact directly the liquidity levels of the financial system. As a result of the interest rate cuts undertaken by Colombia's Central Bank and its expansive monetary policy, the Colombian financial system remained liquid throughout 2009, while all reference interest rates reached historical low levels and interbank lending rates maintained historical spreads in relation to the Central Bank overnight lending rate.

Liquidity Management

The "ALCO", Asset and Liability Management Committee, defines the main policies of liquidity and funding in accordance with the Bank's desired balance sheet structure.

The Bank uses a variety of funding sources to generate liquidity taking into consideration market conditions, interest rates, liquidity needs and the desired maturity profile of funding instruments. Consequently, policies are designed to achieve an optimal match between assets and liabilities profile regarding maturities, interest rates and currency exposure.

One of the Bank's main strategies is to maintain a solid liquidity position, thus, ALCO has established a minimum amount of liquid assets, calculated in relative terms to the total assets, in order to guarantee the proper operation of banking activities such as lending and withdrawals of deposits, protect capital and take advantage of market opportunities. ALCO has delegated the short term liquidity assessment task to a smaller committee called the Liquidity Committee, which revises strategies and policies regarding liquidity. In addition, the Bank has defined a contingency liquidity plan that allows the organization to raise funds under stress market scenarios. This contingency plan is tested on a continuous basis to guarantee its viability.

Funding Structure

During 2009, the Bank maintained a solid liquidity position. The ratio of net loans to deposits (including borrowings from development banks) was 88% at the end of 2009, which compares favorably to the 96% ratio in 2008.

As of December 31, 2009, the Bank's liabilities reached COP 54,832 billion, decreasing 1% as compared to the end of 2008. Liabilities denominated in pesos, which represent 74% of total liabilities, increased 4% as compared to the end of 2008, while deposits denominated in U.S. dollars totaled COP 14,319 billion (or 7.0 billion US$), down 6% in US$ as compared to 2008.

The Bank's principal sources of funding are short-term deposits, which are primarily composed of time deposits, checking accounts and savings accounts. The Bank experienced, during 2009, a positive evolution of deposit growth which reached COP 42,149 billion (68.1% of assets) by the end of the year, and outpaced loan growth as deposits increased 4% during the year.

The following table sets forth checking, time deposits and saving deposits as a percentage of the Bank total liabilities for the years 2009, 2008 and 2007:

	2009	2008	2007

Checking deposits	15.0%	13.1%	14.7%
Time deposits	33.5%	33.6%	30.5%
Saving deposits	27.6%	25.1%	27.1%

The Bank also used borrowings from domestic development banks which amounted to COP 2,886 billion at the end of 2009 and represented a good quality source of funding provided by governmental entities in order to promote lending activities within specific sectors of the Colombian economy. This funding source is fully matched with related loans in terms of maturity and interest rates.

In addition to the main sources of funding described above, the Bank uses: (i) its debt securities portfolio as a source of short-term liquidity by engaging in repurchase agreements transactions, overnight-loan funds and the Central Bank's funds and (ii) the issuance of bonds on a regular basis to reduce the maturity mismatch between assets and liabilities, reducing the liquidity risk. During 2009 the Bank obtained funds from an issuance of ordinary notes with an aggregate principal amount of COP 500 billion in a public offering in Colombia. Additionally, on March 4, 2009, the Bank issued subordinated ordinary notes (with maturity of 10-15 years) with an aggregate principal amount of COP 400 billion. As of December 31, 2009, the total outstanding aggregate principal amount of bonds issued by the Bank was COP 4,174 billion.

With respect to 2008, the Central Bank undertook several measures to support the proper functioning of Colombia's financial system. On October 24, 2008, ordinary reserve requirements were reduced and modified as follows (i) 11% for demand deposits (previously 11.5%) and (ii) 4.5% for time deposits under 540 days (previously 6%). Subsequently, the Central Bank's overnight lending rate was reduced by 50 basis points in December 19, 2008 for the first time since April 2006. This decision was followed by additional reductions which have fixed the Central Bank's overnight lending rate at 4.50% compared to 10% recorded in December 2008. As a result of these measures, liquidity within the Colombian financial system was adequate, while interbank lending rates tended to maintain historical spreads with the Central Bank overnight lending rate. As of December 31, 2008, Bancolombia's liabilities totaled COP 55,666 billion, increasing 18.6% as compared to the end of 2007. Bancolombia's principal sources of funding during those periods were short-term deposits, which are primarily composed of time deposits, checking accounts and savings accounts. The Bank experienced, during 2008, a positive evolution of deposit growth which reached COP 40,384 billion (65.4% of assets) by the end of the year, increasing 17.5% as compared to the end of 2007.

The Bank's management believes that the current level of liquidity is adequate and will seek to maintain its solid deposit base and the access to alternative sources of funding such as borrowings from domestic development banks, repurchase agreements, bond issuances, overnight funds and Central Bank funds, in light of market conditions, interest rates and the desired maturity profile of liabilities.

The following table sets forth the components of the Bank's liabilities for the years 2009, 2008 and 2007:

	As of December 31,					
	2009	% of total funding	2008	% of total funding	2007	% of total funding
	(COP million, except percentages)					
Checking deposits						
Peso-denominated	COP 5,840,450	10.7%	COP 5,365,391	9.6%	COP 5,143,200	11.0%
U.S. dollar-denominated	2,384,498	4.3%	1,935,659	3.5%	1,725,075	3.7%
Total	8,224,948	15.0%	7,301,050	13.1%	6,868,275	14.7%
Time deposits						
Peso-denominated	11,940,626	21.8%	11,804,875	21.3%	8,499,055	18.1%
U.S. dollar-denominated	6,390,862	11.7%	6,847,863	12.3%	5,805,672	12.4%
Total	18,331,488	33.5%	18,652,738	33.6%	14,304,727	30.5%
Savings deposits						
Peso-denominated	12,999,375	23.7%	11,928,822	21.4%	10,652,306	22.7%
U.S. dollar-denominated	2,144,406	3.9%	2,068,248	3.7%	2,044,982	4.4%
Total	15,143,781	27.6%	13,997,070	25.1%	12,697,288	27.1%

Other deposits						
Peso-denominated	329,693	0.6%	272,755	0.5%	360,950	0.8%
U.S. dollar-denominated	119,420	0.2%	160,787	0.3%	142,910	0.3%
Total	449,113	0.8%	433,542	0.8%	503,860	1.1%

	As of December 31,					
	2009	% of total funding	2008	% of total funding	2007	% of total funding
	(COP million, except percentages)					
Interbank Borrowings						
Peso-denominated	-	0.0%	-	0.0%	-	0.0%
U.S. dollar-denominated	1,152,918	2.1%	2,077,291	3.7%	1,506,611	3.2%
Total	1,152,918	2.1%	2,077,291	3.7%	1,506,611	3.2%
Repurchase agreement and interbank funds						
Peso-denominated	1,280,796	2.3%	1,646,924	3.0%	1,199,021	2.6%
U.S. dollar-denominated	61,405	0.1%	917,284	1.6%	806,469	1.7%
Total	1,342,201	2.4%	2,564,208	4.6%	2,005,490	4.3%
Domestic development banks Borrowings and other (1)						
Peso-denominated	2,672,752	4.9%	3,210,780	5.8%	2,780,971	5.9%
U.S. dollar-denominated	213,480	0.4%	659,854	1.2%	563,664	1.2%
Total	2,886,232	5.3%	3,870,634	7.0%	3,344,635	7.1%
Bank acceptances outstanding						
Peso-denominated	-	0.0%	-	0.0%	12,957	0.0%
U.S. dollar-denominated	47,609	0.1%	56,935	0.1%	42,251	0.1%
Total	47,609	0.1%	56,935	0.1%	55,208	0.1%
Long term debt						
Peso-denominated	2,699,565	4.9%	1,957,310	3.5%	1,425,109	3.0%
U.S. dollar-denominated	1,474,057	2.7%	1,686,176	3.0%	1,425,621	3.0%
Total	4,173,622	7.6%	3,643,486	6.5%	2,850,730	6.0%
Other liabilities						
Peso-denominated	2,749,575	5.0%	2,672,406	4.8%	2,385,688	5.0%
U.S. dollar-denominated	330,049	0.6%	396,874	0.7%	429,867	0.9%
Total	3,079,624	5.6%	3,069,280	5.5%	2,815,555	5.9%
Total funding						
Peso-denominated	40,512,832	73.9%	38,859,263	69.9%	32,459,257	69.1%
Dollar-denominated	14,318,704	26.1%	16,806,971	30.1%	14,493,122	30.9%
Total liabilities	COP 54,831,536	100.0%	COP 55,666,234	100.0%	COP 46,952,379	100.0%

(1) Includes borrowings from commercial banks and other non-financial entities.

Credit Ratings

The Bank’s credit ratings by Moody’s Investors Service (“Moody’s”) improved recently. In May 2009, Moody’s upgraded the Bank’s financial strength rating (“BFSR”) from D to D+. The outlook on the BFSR was changed to “stable” from “positive”.

The Bank’s long-term and short-term local currency deposit ratings of “Baa2” and “Prime- 3”, as well as the long-term and short-term foreign currency deposit ratings of “Ba2” and “Not Prime” were affirmed by Moody’s. The Bank’s foreign currency subordinated debt rating of “Baa3” was also affirmed with a stable outlook by the rating firm. Colombia’s sovereign Long-Term Foreign Currency rating by Moody’s Investor Services is Ba1 with a stable outlook.

On the other hand, Fitch Ratings affirmed on June 2009 the Bank’s long- and short-term Issuer Default Ratings (IDRs) and outstanding debt ratings as follows: long-term foreign currency IDR at ‘BB+’; short-term foreign currency IDR at ‘B’; long-term local currency IDR at ‘BB+’; short-term local currency IDR at ‘B’; and Individual at ‘C/D’. At the same time, the rating for the Bank’s subordinated debt maturing May 2017 was affirmed at ‘BB’. The Rating Outlook is Stable. Colombia’s sovereign Long-Term Foreign Currency rating by Fitch Ratings is BB+ with a stable outlook.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independently of any other rating.

Consolidated Statement of Cash Flows

Cash flows for the Bank include net cash provided for operating activities, net cash used in investing activities and net cash provided by financing activities. The following table shows those flows for the years ended December 31, 2009, 2008 and 2007:

	2009	2008	2007
		(COP million)	
Operating activities	5,673,995	(7,133)	(912,668)
Investing activities	(978,475)	(1,602,345)	(271,053)
Financing activities	(2,942,736)	2,000,666	4,405,742
Net increase in cash and cash equivalents	1,752,784	391,188	3,222,021

During 2009, the Bank reported a positive net cash flow that produced an increase in cash and equivalents of COP 1,753 billion. This result is explained by COP 5,674 billion cash provided by operating activities, offset by COP 978 billion and COP 2,943 billion used in investing activities and financing activities respectively.

The primary sources of cash for operating activities were: (i) the Bank's earnings results before depreciation and provision charges and (ii) the combined effect of the loan portfolio reduction and the increase in deposits experienced during 2009. On the other hand, investing activities demanded cash as a result of the increase of the Bank's debt securities portfolio and the net increase on premises and equipment, while financing activities demanded cash as the Bank reduced a large quantity of interbank borrowings and overnight funds liabilities as compared to the net increase in long-term debt. For further detail see "Item 18–Bancolombia's consolidated statement of cash flows" included in this Annual Report.

During fiscal year 2008, operating activities generated an outflow of approximately COP 7 billion, significantly less than the COP 913 billion outflow presented in 2007. In 2008, there was an important decline in cash used to finance growth in the loan portfolio due to a reduction in the demand for credit. On the other hand, cash demanded by asset growth was provided by the combination of deposit growth and the operating results of the Bank reducing the amount of net cash demanded by operating activities. The reduction in purchases of other assets also explains the decline in cash used in operating activities.

During 2007, the Bank reported a positive net cash flow that produced an increase in cash and cash equivalents of COP 3,222 billion. This result is explained by COP 4,406 billion cash provided by financing activities, primarily resulting from a stock issuance for a total of COP 928 billion during the year, an issuance of subordinated debt for a total of COP 806 billion and in general by the increase of liabilities during the period. The cash produced by financing activities was partially offset by cash used in operating and investing activities in the amount of COP 1,184 billion.

The Bank's investing activities demanded net cash of COP 1,602 billion in 2008, driven by the increase of investment securities, in order to manage the Bank's interest rate and liquidity risks. The increase of property and equipment during the period also explains the cash flow from investing activities.

The financing activities of the Bank include the issuance of long-term debt and the issuance of preference and common shares. In 2008, net cash provided by financing activities was COP 2,001 billion due to an increase in liabilities related to inter-bank borrowings, long-term debt and borrowings from domestic development banks.

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As mentioned above, Bancolombia uses a variety of funding sources to generate liquidity taking into consideration market conditions, interest rates, liquidity needs and the desired maturity profile of funding instruments. Consequently, policies are set to achieve an optimal match between assets and liabilities profile regarding maturities, interest rates and currency exposure. In addition, the Bank's strategy will continue to focus on maintaining a solid liquidity position, taking advantage of the stable deposits derived from a broad base of customers, ample geographical coverage and diverse alternative funding sources, which has enabled Bancolombia to fulfill its contractual obligations.

Capital Position

The Bank and its subsidiaries comply with the capital adequacy requirements in their respective countries of operation.

Stockholders' equity amounted to COP 7,033 billion at the end of 2009, up 15% as compared to stockholders ' equity at the end of 2008.

In addition, on a consolidated basis, the Bank's capital adequacy ratio was 13.2% as of December 31, 2009, higher than the 11.2% at the end of 2008 and the 12.67% as of December 31, 2007. The Bank's capital adequacy ratio exceeded the requirements of the Colombian government and the Superintendency of Finance by 423 basis points. The basic capital ratio (tier 1) was 10.40% and the tangible capital ratio, which is equal to stockholders' equity minus goodwill and intangible assets divided by tangible assets, was 9.85% at the end of 2009. For a full description of our capital adequacy requirements please see "Item 4. History and development of the company – B. Business Overview – B.7 – Supervision and Regulation".

TECHNICAL CAPITAL RISK WEIGHTED ASSETS Consolidated (COP million)	2009	%	2008	%	2007	%
Basic capital (Tier I)	5,726,318	10.40	4,971,755	8.95	4,729,101	10.14
Additional capital (Tier II)	1,559,978	2.83	1,273,869	2.29	1,179,216	2.53
Technical capital (1)	7,286,296		6,245,624		5,908,317	
Risk weighted assets included market risk	55,084,655		55,542,485		46,628,036	
CAPITAL ADEQUACY (2)	13.23%		11.24%		12.67%	

(1) Technical capital is the sum of basic and additional capital.
(2) Capital adequacy is technical capital divided by risk weighted assets.

B.2. FINANCIAL INSTRUMENTS AND TREASURY ACTIVITIES

The Bank's treasury division is able to carry out all transactions in local or foreign currencies that are legally authorized in Colombia. These include derivative transactions, purchase and sale of fixed income securities and indexed securities, repurchase or resale transactions, short sales, temporary securities transfers, simultaneous transactions and transactions on the foreign currency exchange market.

During 2009, 2008 and 2007, the Bank entered into Repo and Reverse Repo agreements of financial instruments. These operations require the value of the collateral to be higher than the amount of the transaction. These operations are performed following credit risk guidelines and utilize credit limit for both: the counterparty performing the operation and the underlying issuer of the financial instrument. For further details regarding the accounting treatment please see Note 2.g. of Notes to Financial Statements included in this Annual Report.

The Bank monitors treasury division activities through policies regarding management of liquidity, market, legal, credit and operational risks. Such policies are monitored by the vice president of risk management. In order to be able to control market and liquidity risks, the Bank sets limits intended to keep its exposure levels and losses within certain ranges determined by the Bank's board of directors. The Bank's investment policies do not include restrictions regarding the maturity of the securities held in the portfolio, except those related to the minimal liquidity portfolio, but do include a target (weighted average) duration or the entire portfolio.

Before taking any additional positions, the Bank's treasury division also verifies, with respect to investments in local and in foreign currencies, the availability of funds for investment and each investment's compatibility with the Bank's liquidity structure.

As further described in "Item 11. Quantitative and Qualitative Disclosure About Market Risk", the market risk stated in the treasury book is measured using methodologies of value at risk (VaR), and the position limits are based on the results of these methodologies. The Bank has defined VaR limits that follow a hierarchical structure, which avoid the concentration of market risk in certain groups of assets and also take advantage of portfolio diversification. In addition to VaR limits, the Bank also uses stop loss advisories to inform senior management when losses are close to certain established thresholds in the trading book. Moreover, for the options portfolio the Bank has set limits based on the sensitivity of the portfolio to the underlying, volatility and interest rates. As part of its operation, the Bank holds cash and cash equivalents primarily in Colombian pesos and U.S. dollars. Nevertheless, those positions, as well as any other currency position, are determined by the treasury division in connection with the Bank's currency risk assessment and management. Specifically, the Bank's exposure to currency risk primarily arises from changes in the U.S. dollar/COP exchange rate. The exposure to currency risk is managed by the Bank's treasury division. The Bank uses a VaR calculation to limit the exposure to currency risk of its balance sheet. These limits are supervised on a daily basis by the Bank's Market Risk Management Office. The Bank's treasury division manages a derivative portfolio which includes forward agreements in foreign currency with the purpose of hedging its currency exposure.

B.3. COMMITMENT FOR CAPITAL EXPENDITURES

See "Item 4. Information on the Company – A. History and Development of the Company – Capital Expenditures and Divestitures".

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

The Bank does not have any significant policies or projects relating to research and development.

D. TREND INFORMATION

During the second half of 2009, the Bank's net interest income was pressured by decreasing interest margins and the contraction of the loan portfolio. In addition, credit cost remained high in 2009, as provision charges were above their historical relative level. Future levels of loan volumes, interest margins and credit cost will be key drivers of the Bank's performance. The following is a brief discussion of recent trends with regards to those three elements.

Loan Volume Performance

Although stable during the fourth quarter of 2009, loans and financial leases decreased 6% during the year. This performance was driven primarily by higher than anticipated prepayments and lower demand on corporate loans motivated by increased activity of non-financial firms in the domestic and international debt markets.

Vibrant bond issuance activity of local firms in the domestic and international debt markets was a key driver of loans volume performance in 2009. It is estimated that COP 13,694 billion was issued in Colombia in 2009, 2.4 times the amount issued in 2008. Non-financial firms issued COP 6,630 billion, which represents COP 5,309 billion in excess of the amount issued by them in 2008. Such strong issuance activity, explained to a large extent by a rebound in activity from historically low levels during the previous two years, caused higher than anticipated loan prepayment activity and lower general credit demand within the corporate segment. In addition, tougher economic conditions also weighed on credit demand. As a result, credit demand remained subdued. Specifically, U.S. dollar-denominated lending activity was impacted by lower financing needs due to lower international trade flows affecting our clients' businesses and also by a less dynamic economic environment in El Salvador where our loans are all dollar-denominated as the country's economy is dollarized.

However, recent data and leading indicators signal the end of the economic decline phase in Colombia. Therefore, credit demand is expected to moderately accelerate throughout 2010.

Net Interest Margins

The majority of the Bank's loan book has a variable rate (63% of loans have a maturity of more than a year and variable rates) and the re-pricing pace of our assets tends to be faster than that of our liabilities. Consequently, the magnitude and rapid pace of interest rate cuts in Colombia during the first half of 2009 had an immediate effect on the Bank's net interest margins, as they shrank from 7.5% in the fourth quarter of 2008 to 6.3% in the third quarter of 2009.

However, lower funding cost drove sequential quarterly net interest expansion in the fourth quarter of 2009, as recurring annualized net interest margin, or that resulting after deducting non-recurring income on investment securities, reached 6.7% in the quarter.

Ample liquidity, a more favorable deposit mix (one with a greater proportion of demand deposits) and a more stable outlook for interest rates in the economy point toward stability in interest margins in 2010.

Credit Cost

Provision charges in 2008 and 2009 represented a significantly high credit cost and stood above 2.5% of loans in both years. Nonetheless, better expectations for economic activity and signs of stability in asset quality point towards a more positive scenario for asset quality and provision burden in 2010.

E. OFF-BALANCE SHEET ARRANGEMENTS

The following are the off-balance sheet arrangements in which the Bank is involved: standby letters of credit, letters of credit and bank guarantees.

Standby letters of credit and bank guarantees are conditional commitments issued by us to guarantee the performance of a customer to a third party. The Bank typically has recourse to recover from the customer any amounts paid under these guarantees. In addition, the Bank may hold cash or other highly liquid collateral to support these guarantees.

At December 31 2009, 2008 and 2007, outstanding letters of credit and bank guarantees issued by Bancolombia totaled COP 3,094,924 million, COP 3,524,631 million and COP 2,613,369 million, respectively.

The table below summarizes at December 31, 2009 and 2008 all of the Bank's guarantees where the Bank is the guarantor. The total amount outstanding represents maximum potential amount (notional amounts) that could be lost under the guarantees if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from collateral held or pledged. Such amounts greatly exceed anticipated losses.

	Expire within one year		Expire after one year		Total amount outstanding		Maximum potential amount of future losses	
	2009	2008	2009	2008	2009	2008	2009	2008
	COP millions							
Financial standby letters of credit	1,280,104	1,577,231	323,997	313,343	1,604,101	1,890,574	1,604,101	1,890,574
Bank guarantees	1,047,549	1,106,968	443,274	527,089	1,490,823	1,634,057	1,490,823	1,634,057
Total (COP)	2,327,653	2,684,199	767,271	840,432	3,094,924	3,524,631	3,094,924	3,524,631

F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table shows the Bank's contractual obligations as of December 31, 2009:

Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
			(COP millions)		
Long-term debt obligations	COP 4,269,780	COP 817,264	COP 1,036,279	COP 671,346	COP 1,744,892
Time deposits	18,596,880	16,105,289	1,859,776	186,989	444,826
Commitments to originate loans	1,417,015	1,417,015	-	-	-
Commitments of repurchase of investments	-	-	-	-	-
Employee benefit plans	154,606	17,357	30,129	48,873	58,246
Borrowings from domestic development banks	2,886,232	392,495	897,235	911,179	685,323
Total	COP 27,324,513	COP 18,749,420	COP 3,823,419	COP 1,818,387	COP 2,933,287

The table includes interest costs on debt, the Bank does not have any uncertain positions to report and the leasing agreements it does hold are between the same companies belonging to the Group, which are duly eliminated as part of the consolidation process.

G. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The following are considered critical accounting policies, given their significant impact on the financial condition and operating performance of the Bank. This information should be read together with Note 2. Summary of significant accounting policies of the Consolidated Financial Statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES UNDER COLOMBIAN GAAP

Evaluation of loan portfolio risk and determination of allowances for loan losses: Under Colombian GAAP, the Bank currently evaluates loan portfolio risk according to the rules issued by the Colombian Superintendency of Finance, which establish qualitative and quantitative standards for assigning a risk category to individual assets. The qualitative analysis includes the evaluation of “potential weaknesses”, “deficiencies” or “serious deficiencies” based on the existence and magnitude of specific factors, according to the judgment of management. For the quantitative evaluation, the Bank first determines whether the loan has become due and then classifies the loan according to the number of days past due.

Commercial and consumer loans are provisioned following standard models developed by the Colombian Superintendency of Finance. According to the models, the allowance for loan losses is stated through the calculation of the Expected Loss.

Microcredit and mortgage loans are provisioned considering a minimum allowance level for each credit category. In addition, a general allowance equal to 1% of the outstanding loan balance is required.

The Bank considers the accounting estimates used in the methodology to determine the allowance for loan losses to be “critical accounting estimates” because: (a) by its nature, the allowance requires the Bank to make judgments and assumptions regarding the Bank’s loan portfolio, (b) the methodology used in its determination is based on the existence and magnitude of determined factors that are not necessarily an indication of future losses and (c) the amount of the provision that is based on reference models for commercial and consumer portfolio and a percentage based on the risk category for microcredit and mortgage portfolio, although it is impossible to ensure that this percentage will exactly reflect the probability of loss.

Contingent Liabilities:The Bank is subject to contingent liabilities, including judicial, regulatory and arbitration proceedings and tax and other claims arising from the conduct of the Bank's business activities. Under Colombian GAAP, allowances are established for legal and other claims by assessing the likelihood of the loss actually occurring as probable, possible or remote. Contingencies are partially provisioned and are recorded when all the information available indicates that it is probable that the Bank will incur in the future disbursements for events that happened before the balance sheet date and the amounts may be reasonably estimated. The Bank involves internal and external experts (lawyers and actuaries) in assessing probability and in estimating any amounts involved.

Throughout the life of a contingency, the Bank's internal experts may learn of additional information that can affect the assessments about probability or the estimates of amounts involved. Changes in these assessments can lead to changes in recorded allowances.

The Bank considers the estimates used to determine the allowance for contingent liabilities to be "critical accounting estimates" because the probability of their occurrence is based on the Bank's judgment, which will not necessarily coincide with the future outcome of the proceedings.

Pension Plan: Under Colombian GAAP, the Bank applies the provisions of Decree 1517 of 1998, which requires a distribution of charges to amortize the actuarial calculation by 2010. The distribution is calculated by taking the percentage amortized up to December 1997 and annually adding the minimum percentages needed to complete amortization by 2010. Under the Bank's non-contributory unfunded defined benefit pension plan, benefits are based on length of service and level of compensation.

The Bank considers that the accounting estimates related to its pension plan are "critical accounting estimates" because the determination of the contributions to the plan involves judgments and assumptions made by the actuaries related to the future macroeconomic and employees demographics factors, among others, which will not necessarily coincide with the future outcome of such factors.

Recognition of B usiness C ombinations: Upon a business combination, the Colombian purchase method of accounting requires that (i) the purchase price be allocated to the acquired assets and liabilities on the basis of their book value, (ii) the statement of income of the acquiring company for the period in which a business combination occurs includes the income of the acquired company as if the acquisition had occurred on the first day of the reporting period and (iii) the costs directly related to the purchase business combination not be considered as a cost of the acquisition, but deferred and amortized over a reasonable period as determined by management.

The pooling of interests method of accounting requires the aggregate of the stockholders' equity of the entities included in the business.

The Conavi/Corfinsura Merger was accounted for using the pooling of interests method in accordance with the methodology suggested by the Superintendency of Finance. The Sufinanciamiento, Comercia (now Factoring Bancolombia), Sutecnología and Banagrícola acquisitions were accounted for using the purchase method under Colombian GAAP.

Goodwill R ecognized U pon B usiness C ombinations: The Bank tests goodwill recognized upon business combinations for impairment at least annually using a two-step process that begins with an estimation of the fair value of a reporting unit. The first step is a screen for potential impairment, and the second step measures the amount of impairment, if any. However, if certain criteria are met, the requirement to test goodwill for impairment annually can be satisfied without a remeasurement of the fair value of a reporting unit. Fair value is determined by management by reference to market value, if available, or by pricing models or with the assistance of a qualified evaluator. Determination of a fair value by a qualified evaluator or pricing model requires management to make assumptions and use estimates.

Management believes that the assumptions and estimates used are reasonable and supportable in the existing market environment and commensurate with the risk profile of the assets valued. However, different assumptions and estimates could be used which would lead to different results. The most significant amounts of goodwill and intangibles relate to the acquisition of Conavi and Corfinsura in 2005 and Banagrícola in 2007. The valuation models used to determine the fair value of these companies and the intangibles are sensitive to changes in the assumptions. Adverse changes in any of these factors could lead the bank to record a goodwill or intangible impairment charge.

Under Colombian GAAP, financial entities have to register amortization of Goodwill. According to the guidelines issued by Superintendency of Finance, the goodwill should be amortized using the exponential method, however, others methods which provide a better association between the revenues and expenses are permitted. Since January, 2008, the straight-line method has been used to amortized goodwill, since the Bank considers this method provides a better association between the revenues and expenses corresponding to this investment. Under Colombian GAAP the Bank performs impairment test using discounted cash flow technique.

The Bank considers amortization and impairment tests to be "critical accounting estimates" because of the importance of assumptions used in the testing and the sensitivity of the results to the assumptions used.

Recognition and M easurement of F inancial I nstruments at F air V alue:A portion of the Bank's assets is carried at fair value for Colombian GAAP purposes, including equity and debt securities with quotations available or where quoted prices are available for similar assets, derivatives, customers' acceptances and short-term borrowings.

Under Colombian GAAP, the fair value of a financial instrument is defined as the estimated amount at which the instrument could be exchanged in a current transaction between willing and independent parties. A large proportion of the Bank's assets reported at fair value are based on quoted market prices, which provide the best indication of fair value. If quoted market prices are not available, the Bank discounts the expected cash flows using market interest rates which take into account the credit quality and duration of the investment. The degree of management's judgment involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices. When observable market prices and parameters do not exist, management's judgment is necessary to estimate fair value, in terms of estimating the future cash flows, based on variables of the instruments, the inherent credit risk and the applicable interest rate to discount those cash flows.

As of December 31, 2009, the Bank's assets that were fair-valued using discounted cash flows techniques amounted to COP 3,546,892 million and mainly included bonds and notes issued by government or its entities and corporate debt securities.

As of December 31, 2009, derivative financial instruments were not recognized based on quoted prices and as a consequence, valuation techniques such as discounted cash flows, Black-Scholes and similar methodologies were performed to measure the estimated fair value, using where possible current market-based or independently sourced market parameters, such as interest rates, currency rates and forward curves based on transactions.

The estimated fair value of instruments based upon internally developed valuation techniques could vary if other valuation methods or assumptions were used.

As of December 31, 2009, our financial derivatives that were fair-valued using discounted cash flows and Black-Scholes techniques amounted net to COP 154,289 million and mainly included market rate and rate swaps and forwards.

In 2008, the Colombian Superintendency of Finance issued Resolution 025 related to the estimated fair-value measurement of derivatives, which was implemented by the Bank in January 28, 2009. As a result of this resolution, Bancolombia adopted a new valuation methodology and recorded a change of COP 122,765, the change was deferred for six months as permitted by the Superintendency of Finance, See "Item 5. Operating and Financial Review and Prospects – H) Recent U.S. GAAP Pronouncements – Recent Colombian GAAP Pronouncements".

For the Bank's derivative financial instruments that have optionality, the relevant option model is used. For a further discussion on the effect of a change in interest rates and foreign exchange rates on the Bank's portfolio see "Item 11. Quantitative and Qualitative Disclosures About Market Risk" .

Securitizations: The Bank has securitized both performing and non-performing mortgage loans which, according to Colombian GAAP, have been accounted for as sales, and as such, said loans have been removed from the Bank's balance sheet.

As of 2009, when External Circular 047 of 2009 was issued, assets subject to portfolio securitizations could be entered in books as firm transfers or disposals providing the following conditions were fulfilled:

- Assets assigned to securitizations and transferred exclusively to securitization firms in order to set up Special-Purpose Vehicles (SPVs).

- In the case of securitizations carried out by securitization firms or directly by credit establishments, the disposal of the corresponding assets must be carried out by separating the equity value of the securitized assets and creating the corresponding SPV.

- The disposal or transfer of securitized assets shall not be subject to any type of express or implicit cancellation clause or provision.

- In transferring or disposing of these securitized assets, the total benefits and risks inherent or accruing from such assets must also have been totally transferred.

- Under no circumstance shall the originator conserve discretionary rights to dispose of, control, limit, encumber, substitute, reacquire or use the assets thus transferred or disposed of.

Also, this new regulation provided that in cases where the transferor retains a positive residual interest, it may record as an investment the fair value of the residual interest subject to the conditions defined for this purpose in the applicable rules and regulations of the issue in question, with a balancing entry in the investment valuation income account. This value must be updated at least every year, on the anniversary of the date on which the SPV was set up and in any case on the closing date of the fiscal period in question. As a result of the above, the Bank has recognized retained interest as held to maturity in the amount of COP 57,358 as of December 31, 2009.

Based on these new regulations, and since residual rights received were only reported as of 2009, such disclosures did not apply for prior years

CRITICAL ACCOUNTING POLICIES AND ESTIMATES UNDER U.S. GAAP

Allowance of Deferred Tax Assets:Deferred tax assets and liabilities are recorded for the estimated future tax effects of temporary differences between the carrying amounts of assets and liabilities recorded for accounting and tax reporting purposes and for the future tax effects of net operating loss carryforwards.

A valuation allowance for deferred tax assets is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. All available evidence, both positive and negative, is considered to determine whether, based on the weight of that evidence, a valuation allowance is needed. Future realization of the tax benefit of existing deductible temporary differences or carryforwards ultimately depends on the existence of sufficient taxable income in future periods.

In determining a valuation allowance, the Bank performs a review of future taxable income (exclusive of reversing temporary differences and carryforwards) and future reversals of existing taxable temporary differences. Management's judgment on the likelihood that deferred tax assets can be realized is subjective and involves estimates and assumptions about matters that are inherently uncertain.

The application of tax legislation is subject to diverse interpretations on the part of both tax payers and the Colombian tax authorities (Dirección de Impuestos y Aduanas Nacionales).

When calculating deferred tax, the Bank considers future estimates, the figures recorded in its financial statements, as well as applicable tax legislation.

Determination of the deferred tax asset is considered a critical accounting policy, as it involves tax determinations based on estimates of profits and future taxable incomes that will be settled in future years and estimates about the timing the temporary differences will be reserved and such estimations can be affected by changes in the economic conditions or as result of unanticipated events or circumstances. The valuation allowance has been determined based on estimates of taxable income and the applications of the current fiscal laws.

Evaluation of Loan Portfolio Risk and Determination of Allowances for Loan Losses: Under U.S. GAAP, the Bank considers loans to be impaired when it is probable that all amounts of principal and interest will not be collected according to the contractual terms of the loan agreement. The allowance for significant impaired loans are assessed based on the present value of estimated future cash flows discounted at the effective loan rate or the fair value of the collateral in the case where the loan is considered collateral-dependent. An allowance for impaired loans is provided when discounted future cash flows or the fair value of collateral is lower than book value.

In addition, if necessary, a specific allowance for loan losses is established for individual loans, based on regular reviews of individual loans, recent loss experience, credit scores, the risk characteristics of the various classifications of loans and other factors directly influencing the potential collectability and affecting the quality of the loan portfolio.

Determining the allowance for loan losses requires significant management judgments and estimates including, among others, identifying impaired loans, determining customers' ability to pay and estimating the fair value of underlying collateral or the expected future cash flows to be received.

To calculate the allowance required for smaller-balance impaired loans and unimpaired loans, historical loss ratios are determined by analyzing historical losses. Loss estimates are analyzed by loan type and thus for homogeneous groups of clients. Such historical ratios are updated to incorporate the most recent data reflecting current economic conditions, industry performance trends, geographic or obligor concentrations within each portfolio segment and any other pertinent information that may affect the estimation of the allowance for loan losses.

A one-percent decrease in the expected cash flows could result in an impairment of the portfolio of approximately COP 10,539 million. These sensitivity analyses do not represent management's expectations of the decline in risk ratings or the increases in loss rates, but are provided as hypothetical scenarios to assess the sensitivity of the allowance for loan and lease losses to changes in key inputs. The Bank believes the risk ratings and loss severities currently in use are appropriate and represent management's expectations about the credit risk inherent in its loan portfolio.

The Bank considers accounting estimates related to provisions for loans and advances 'critical accounting estimates' because: (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and advances are based on recent performance experience, and (ii) any significant difference between the Bank's estimated losses (as reflected in the provisions) and actual losses would require the Bank to take provisions which, if significantly different, could have a material impact on its future financial condition and results of operations. The Bank's assumptions about estimated losses are based on past performance, past customer behavior, the credit quality of recent underwritten business and general economic conditions, which are not necessarily an indication of future losses.

Pension Plan: Under U.S. GAAP, actuarial valuation of its pension plan is performed annually using the projected unit credit method in accordance with ASC 715 Compensation-Retirement Benefits and prepared using actuarial, economic and demographic assumptions about future events.

The Bank considers the accounting estimates related to its pension plan to be "critical accounting estimates" because the determination of the contributions to the plan involves judgments and assumptions made by the actuaries related to the future macroeconomic and employees demographics factors, among others, which will not necessarily coincide with the future outcome of such factors.

Recognition and Measurement of Intangibles Recognized Upon Business Combinations: Under U.S. GAAP, the Bank accounts for acquired businesses using the purchase method of accounting which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. The application of the purchase method requires certain estimates and assumptions, especially concerning the determination of the fair values of the acquired intangible assets and property, plant and equipment, as well as the liabilities assumed at the date of the acquisition.

In addition, the useful lives of acquired intangible assets, property, plant and equipment have to be determined. The judgments made in the context of the purchase price allocation can materially impact the Bank's future results of operations. Accordingly, for significant acquisitions, the Bank obtains assistance from third-party valuation specialists. The valuations are based on information available at the acquisition date and different methodologies are used for each intangible identified.

Goodwill and Intangibles Recognised Upon Business Combinations: For U.S. GAAP, the Bank tests goodwill and intangibles recognized upon business combinations for impairment at least annually using a two-step process that begins with an estimation of the fair value of a reporting unit. The first step is a screen for potential impairment, and the second step measures the amount of impairment, if any. However, if certain criteria are met, the requirement to test goodwill for impairment annually can be satisfied without a remeasurement of the fair value of a reporting unit. Fair value is determined by management by reference to market value, if available, by pricing models, or with the assistance of qualified evaluator. Determination of a fair value by a qualified evaluator or pricing model requires management to make assumptions and use estimates to forecast cash flow for periods that are beyond the normal requirements of management reporting; the assessment of the discount rate appropriate to the reporting unit; estimation of the fair value of reporting units; and the valuation of the separable assets of each business whose goodwill is being reviewed.

The amount of goodwill allocated to the reporting unit and the key assumptions used by management in determining the fair value are:

Reporting Unit	Goodwill 2009	Valuation Methodology	Key Assumptions	Discount Rate (real)	Growth rate (real)
Banco Agrícola	606,548	Cash flow	10 years plan	10.0%	1.8%
Conavi Corfinsura	408,483	Cash flow	10 years plan	12.0%	3.5%
Banco de Colombia	265,433	Cash flow	10 years plan	12.0%	3.5%
AFP Crecer	27,961	Cash flow	10 years plan	10.7%	0%
Aseguradora Suiza	26,393	Cash flow	10 years plan	11.6%	0%
Sufi	19,714	Cash flow	10 years plan	12.0%	3.5%
Factoring (1)	-	Cash flow	10 years plan	12.0%	3.5%

(1) In 2009, the Bank has performed the impairment test of Factoring Bancolombia's goodwill and concluded there was an impairment. The impairment loss has been recorded to the extent of carrying amount of the goodwill.

The long-term growth rates have been based on respective country GDP rates adjusted for inflation. The risk discount rates are based on observable market long-term government bond yields and average industry betas adjusted for an appropriate risk premium.

Management believes that the assumptions and estimates used are reasonable and supportable in the existing market environment and commensurate with the risk profile of the assets valued. However, different assumptions and estimates could be used which would lead to different results. The most significant amounts of goodwill and intangibles relate to the Conavi/Corfinsura Merger in 2005 and the acquisition of Banagrícola in 2007. The valuation models used to determine the fair value of these companies and the intangibles are sensitive to changes in the assumptions. Significant adverse changes in discount rate or growth rate could lead the Bank to record a goodwill or intangible impairment charge.

Recognition and Measurement of Financial Instruments at Fair Value: Effective January 1, 2008, for U.S. GAAP purposes, the Bank adopted ASC 820 – Fair Value Measurements and Disclosures. As a result, the Bank has made amendments to the techniques used in measuring the fair value in order to include considerations about credit risk, as described below.

The Bank holds debt and equity securities, derivatives, assets-backed securities, loans, short-term borrowings and long term-debt, to meet clients needs and to manage liquidity needs and market risk.

a.Overall Valuation Methodology

When available, the Bank generally uses quoted market prices to determine fair value, and classifies such items within Level 1 of the fair value hierarchy established under ASC 820. Where available, the Bank may also make use of quoted prices for recent trading activity in positions with the same or similar characteristics to that being valued.

If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates and option volatilities. Financial instruments valued in this manner are classified with in level 2 of the fair-value hierarchy under ASC 820.

When an internally developed model is used to price a significant product, it is subject to validation and testing by independent personnel and the item would be classified as Level 3 of the fair-value hierarchy established under ASC 820.

b. Credit Valuation Adjustments

For U.S. GAAP purposes, beginning January 1, 2008 with the adoption of fair-value measurement guidance, the Bank has measured the effects of the credit risk of its counterparties and its own creditworthiness in determining fair value of certain financial instruments that are measured on a recurring basis.

Counterparty credit-risk adjustments are applied to derivatives, such as over-the-counter derivatives, where the base valuation uses market parameters based on the LIBOR, the COP interest rate curve implicit in the Cross Currency Swap Curve and foreign exchange curves.

The Bank generally calculates the asset's credit risk adjustment for derivatives transacted with international financial institutions by incorporating indicative credit related pricing that is generally observable in the Credit Default Swap ("CDS") market. The credit risk adjustment for derivatives transacted with all other counterparties is calculated by incorporating unobservable credit data derived from internal credit qualifications to the financial institutions and corporations located in Colombia.

The Bank also considers its own creditworthiness when determining the fair value of an instrument, including OTC derivative instruments if the Bank believes market participants would take that into account when trading the respective instrument. The approach to measuring the impact of the Bank's credit risk on an instrument is in the same as for third-party credit risk.

As of December 31, 2009, a 1% reduction in the Bank's own credit spreads when determining the fair value of the liabilities associated with derivative contracts could result in an increase of the associated liability of approximately COP 6,943 million and 1% increase in the counterparty credit spreads when determining the fair value of the assets associated with derivative contracts could result in a reduction of the associated asset of approximately COP 13,007 million. These sensitivity analyses do not represent management's expectations of the changes in the Bank's or its counterparties' credit risk, but are provided as a hypothetical scenario to assess the sensitivity of the fair value of those liabilities to changes in credit spreads.

c. Loans

The Bank is required, on a nonrecurring basis, to adjust the carrying value of certain assets or provide valuation allowances related to certain assets using fair-value measurements in accordance with U.S. GAAP. Loans are generally not recorded at fair value on a recurring basis. Periodically, the Bank records nonrecurring adjustments for including certain impairment amounts for collateral-dependent loans calculated in accordance with ASC 450 Contingencies when establishing the allowance for loan losses. Such amounts are generally based on the fair value of the underlying collateral supporting the loan. Estimates of fair value used for collateral supporting loans generally are based on assumptions not observable in the marketplace and therefore such valuations have been classified as Level 3. Loans subject to nonrecurring fair value measurement were COP 233,336 million at December 31, 2009 classified as Level 3. Changes in fair value recognized for loan impairment reserves on loans held by the Bank on December 31, 2009 represented impairment losses for COP 97,498 million for the year ended December 31, 2009.

d. Other than Temporary Impairment:

The Bank conducts regular reviews to assess whether other than temporary impairment exists, in accordance with ASC 320. If the Bank determines that unrealized losses are temporary in nature, they are recorded in Accumulated Other Comprehensive Income.

U.S. GAAP requires, when an entity intends to sell an impaired debt security or it is more likely than not that it will be required to sell prior to recovery of its amortized cost basis, the recognition in earnings of the impairment loss on investment securities for decline in fair value. Determinations of whether a decline is other than a temporary decline often involve estimating the outcome of future events. Management judgment is required in determining whether factors exist that indicate that an impairment loss has been incurred at the balance sheet date. These judgments are based on subjective as well as objective factors. The Bank conducts a review semi-annually to identify and evaluate investment securities that have indications of possible impairment.

The Bank has determined that unrealized losses on investments as of December 31, 2009 are temporary in nature because it does not intend to sell an impaired debt security and it is not more likely than not it will be required to sell the debt security before the recovery of its amortized cost.

The substantial majority of the investments in an unrealized loss position for 12 months or more are primarily securities issued or secured by the Colombian Government and Titularizadora Colombiana, denominated in pesos and Unidad de Valor Real (the "Real Value Unit" or "UVR"). These securities were issued with a stated interest rate and average mature in less than eight years. Unrealized losses may decline as interest rates fall below the purchased yield and as the securities approach maturity. Since the Bank does not intend to sell an impaired debt security and it is not more likely than not it will be required to sell the debt security before the recovery of its amortized cost, which could be maturity, the unrealized loss is considered temporary.

The Bank considers that the accounting estimate related to the valuation of financial assets and financial liabilities, including derivatives where quoted market prices are not available to be a 'critical accounting estimate' because: (i) it is highly susceptible to change from period to period because it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific features of the transactions and (ii) the impact that recognizing a change in the valuations would have on the assets reported on its balance sheet as well as its net profit/(loss) could be material.

Securitizations: Under U.S. GAAP, there are two key accounting determinations that must be made relating to securitizations. A decision must be made as to whether a transfer would be considered a sale under U.S. GAAP, resulting in the transferred assets being removed from our consolidated balance sheet with a gain or loss recognized. Alternatively, the transfer would be considered a secured borrowing, resulting in recognition of a liability in the Bank's consolidated balance sheet. The second key determination to be made is whether the securitization vehicle must be consolidated and included in the bank's consolidated balance sheet, or whether such securitization vehicle is sufficiently independent that it does not need to be consolidated.

If the trust's activities are sufficiently restricted to meet certain accounting requirements in order to be considered a qualifying special-purpose entity (QSPE), the trust is not consolidated by the seller of the transferred assets. See ("Recent U.S. GAAP pronouncements" for the eliminations of the QSPE concept effective date January 1, 2010) ASC 860-10-65 and ASC 860-10-40. Additionally, under ASC 810 Consolidation, if a trust other than a QSPE meets the definition of a variable interest entity (VIE), the Bank must evaluate whether the Bank is the primary beneficiary of the trust and, if so, must consolidate it.

For U.S. GAAP purposes, since the activities of these vehicles are not sufficiently restricted to meet certain accounting requirements in order to be considered a QSPE, these vehicles were deemed variable interest entities in accordance with ASC 810 (Consolidation) and therefore, in those cases where the Bank holds the majority of the residual interests in these vehicles, the Bank was determined to be the primary beneficiary, as the party that expects to absorb the majority of the expected losses of such vehicles.

For this purpose, the Bank's management evaluates the terms of its service agreements with vehicles used to securitize the Bank's loans, in order to conclude that such vehicles meet or do not meet the definition of a qualified special-purpose entity under ASC 860 (Transfers and Servicing) is a "critical accounting estimates" because the determination of the definition of the vehicle like a qualified special-purpose entity involves judgments.

Additionally and in order to consolidate these vehicles used to securitize the Bank's performing loans, the Bank records loans net of allowance for loan losses. For this process, the Bank considers the evaluation of loan portfolio risk and determination of allowances for loan losses under U.S. GAAP to be "critical accounting estimates" because it is based on estimations. (See more details above in Evaluation of Loan Portfolio Risk and Determination of Allowances for Loan Losses in this item).

The table below presents the assets and liabilities of vehicles used to securitize the Bank's loans, which have been consolidated on the Banks's balance sheet at December 31, 2009, and the Bank's allowance for loan losses resulting from its involvement with consolidated vehicles used to securitize the Bank's loans as of December 31, 2009.

The allowance for loan losses represents management's estimate of probable losses inherent in this portfolio, as of December 31:

	2009	2008
Assets	COP 2,696,829	COP 1,866,211
Liabilities	1,428,353	873,056

H. RECENT U.S. GAAP PRONOUNCEMENTS

In June 2009, the FASB issued Accounting Standards Update No 2009-01, which amends Statement of Financial Accounting Standards No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles". This statement establishes the FASB Accounting Standards Codification (Codification or ASC) as the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Following this Statement, the Board will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates. This Statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The bank has codified its disclosures according to the FASB Accounting Standards Codification (Codification or ASC).

In January 2010, the FASB voted to finalize its ASU Amendments to Statement 167 for Certain Investment Funds. The ASU will defer the application of Statement 167 for a reporting enterprise's interest in certain entities and for certain money market mutual funds if certain conditions are met.

In January 2010, the FASB issued ASU 2010-01, which codifies the consensus reached in EITF Issue 09-E. This ASU provides guidance on accounting for distributions to stockholders with components of stock and cash, clarifying that in calculating EPS, an entity should account for the share portion of the distribution as a stock issuance and not as a stock dividend, in accordance with ASC 505 and ASC 260. In other words, the entity will include the shares issued or issuable as part of a distribution that is reflected in basic EPS prospectively. The ASU is effective for interim and annual periods ending on or after December 15, 2009, and should be applied retrospectively to all prior periods. The adoption had no significant impact on the Bank's U.S. GAAP disclosures and financial information.

In January 2010, the FASB issued ASU 2010-06, which amends ASC 820 to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. The ASU also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. Further, the ASU amends guidance on employers' disclosures about post retirement benefit plan assets under ASC 715 to require that disclosures be provided by classes of assets instead of by major categories of assets. The ASU is effective for the first reporting period beginning after December 15, 2009, except for the requirement to provide the Level 3 activity of purchases, sales, issuances and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Early adoption is permitted. The Bank has not early-adopted and will provide the disclosures required when the ASU is effective.

In December 2009, the FASB issued ASU 2009-17, which codifies Statement 167 and revises the former guidance under Interpretation 46(R). The amendments in ASU 2009-17 replace the quantitative-based risks-and-rewards calculation for determining which reporting entity, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which reporting entity has (1) the power to direct the activities of a variable interest entity that most significantly affects the entity's economic performance and (2) the obligation to absorb losses of, or the right to receive benefits from, the entity. The ASU also requires additional disclosures about a reporting entity's involvement with variable interest entities and about any significant changes in risk exposure as a result of that involvement. It is effective at the start of a reporting entity's first fiscal year beginning after November 15, 2009. Early application is not permitted. The Bank does not expect any significant effect in its U.S. GAAP disclosures and financial information.

In October 2009, the FASB issued Accounting Standards Update No 2009-15, "Accounting for Own-Share Lending Arrangements in Contemplation of Convertible Debt Issuance or Other Financing". This Accounting Standards Update establishes guidance for measuring at fair value and recognizing a share lending arrangement. The amendments in this Accounting Standards are effective for new share dealings arrangements issued in periods and are effective for fiscal years which begin after December 15, 2009. The Bank does not expect any significant effect in its U.S. GAAP disclosures and financial information.

In September 2009, the FASB issued Accounting Standards Update No 2009-12, "Fair Value Measurements and Disclosures (ASC 820): Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)". This Accounting Standards Update applies to all reporting entities that hold investments that are required to be measured or disclosed at fair value on the basis of the net asset value per share of the investment determined as of the reporting entity's measurement date. The amendments in this Update were effective for interim and annual periods ending after December 15, 2009. The results of the adoption, not considered material, were taken into account in the measurement of the net assets value disclosed in "Notes to Consolidated Financial Statements (31 – t) Estimated fair value". The Bank is currently analyzing the effect that Accounting Standards Update n° 2009-12 will have on its U.S. GAAP disclosures and financial information.

In August 2009, the FASB issued Accounting Standards Update No 2009-05, "Fair Value Measurements and Disclosures—Measuring Liabilities at Fair Value". This Accounting Standards Update provides amendments to Subtopic 820-10, Fair Value Measurements and Disclosures. The amendment provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following techniques: (a) The quoted price of the identical liability when traded as an asset, (b) quoted prices for similar liabilities or similar liabilities when traded as assets, (c) another valuation technique that is consistent with the principles of Topic 820, "Fair Value Measurements and Disclosures". The results of the adoption were taken into account in the measurement of liabilities disclosed in "Notes to Consolidated Financial Statements (31 – t) Estimated fair value."

In June 2009, the FASB issued FASB Statement No. 166, Accounting for Transfers of Financial Assets -an amendment of FASB Statement No. 140 ("SFAS 166"), amending the guidance on transfers of financial assets in order to address practice issues highlighted most recently by events related to the economic downturn. The amendments include: (1) eliminating the qualifying special-purpose entity concept, (2) a new unit of account definition that must be met for transfers of portions of financial assets to be eligible for sale accounting, (3) clarifications and changes to the derecognition criteria for a transfer to be accounted for as a sale, (4) a change to the amount of recognized gain or loss on a transfer of financial assets accounted for as a sale when beneficial interests are received by the transferor, and (5) extensive new disclosures. Calendar year-end companies will have to apply FAS 166 to new transfers of financial assets occurring from January 1, 2010.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 167, "Amendments to FASB Interpretation No. 46(R)" (ASC 810). This standard represents a significant change to the previous accounting rules in that it: (1) eliminates the scope exception for qualifying special-purpose entities; (2) changes the consolidation model to one based on power and economics; (3) requires a company to continually reassess whether it should consolidate an entity; (4) requires an assessment of whether an entity is subject to the standard due to a troubled debt restructuring and (5) requires extensive new disclosures. It is effective for the first reporting period beginning after November 15, 2009. The adoption had no significant impact on the U.S. GAAP disclosures and financial information.

Recent Colombian GAAP Pronouncements:

On September 2009, the Colombian Superintendency of Finance published External Circular N° 035 titled "Individual allowances for loans loses", for the purpose of adjusting rules to adopt policies to guarantee the adequate risk management. The stipulations contained in the External Circular N° 035, establish the individual allowance for loans losses as the aggregation of the contra-cyclical component and pro-cyclical component.

Furthermore, External Circular N° 035 provides guidance to calculate the components of the individual allowances and requires from financial entities to conduct regular reviews of factors to assess whether impairments exist, efficiency, loans portfolio growths and financial situation as a part of the process of identifying the methodology to apply.

On July 13, 2009, Law 1314 was signed by the Colombian president. This Law regulates the accounting, reporting and information assurance principles and standards that are generally accepted in Colombia and describes the procedure by which said principles and standards are to be issued and the oversight authorities. This Law, brings the currently generally accepted accounting principles in Colombia in line with International Financial Reporting Standards.

In June 2008, the Colombian Superintendency of Finance published External Circular No. 025 titled "Subrogation of instructions regarding derivatives and structured products as contained in Chapter 18 of the Basic Accounting and Financial Circular as well as the issuance of the transition regime applying to said instruments and products", for the purpose of adjusting its rules and regulations as well as issuing instructions as a result of the integral reform made to the rules and regulations governing operations carried out with derivatives and structured products, as promulgated by the National Government by means of Decrees 1796, 1797 and 1121 of 2008. That contained in the External Circular No. 025 is used on a prospective basis for the purpose of appraising the value of derivatives and structured products occurring or traded as of July 23, 2008 and all the other rules and regulations therein contained that shall come into full force and effect as of July 1, 2008. The stipulations contained in External Circular 025 affect the appraisal of derivatives and structured products on the Bank's financial statements for the year ending December 31, 2008 and are included in Note 31 (t) – Estimated Fair Value of Financial Instruments.

I. RELATED PARTY TRANSACTIONS

See “Item 7. Major Stockholders and Related Party Transactions – B. Related Party Transactions”.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

As of December 31, 2009, the following persons acted as directors and senior management of the Bank:

Directors

David Emilio Bojanini García was born in 1956. He has been the Chief Executive Officer of Grupo de Inversiones Suramericana S.A. since September 2006 and was the CEO of Administradora de Fondos de Pensiones y Cesantías "Protección S.A." from 1991 to September 2006. Before that time, he was Actuarial Manager in Suramericana de Seguros S.A. Currently he is a member of the board of directors of Bancolombia, Grupo Nacional de Chocolates, Inversiones Argos and Almacenes Exito. He is also part of the National Board of Directors of the ANDI (Colombian Association of Industrialists) and the Privy Council for Competitiveness. He is a member of the Consejo Empresarial de América Latina – CEAL (Business Council for Latin America) as well as the Board of Trustees of the Suramericana Foundation, the Empresarios por la Educación Foundation, El Cinco Foundation and Mi Sangre Foundation, among others.

José Alberto Vélez Cadavid was born in 1950. He has been the President of Inversiones Argos S.A. since August 2003 and of Cementos Argos S.A. since December 2005. He has held several management positions at Suramericana de Seguros S.A. since 1984 including Vice President of Marketing and Sales, Vice President of Investments, Vice President of Enterprise Development and President of Inversura S.A. and Suramericana de Seguros S.A. Currently Mr. Vélez Cadavid is also a member of the board of directors of Suramericana de Inversiones S.A., Grupo Nacional de Chocolates S.A. and Calcetines Crystal S.A.

Carlos Enrique Piedrahita Arocha was born in 1954. He has been President of Compañía Nacional de Chocolates S.A. since 2000 and President of Grupo Nacional de Chocolates S.A. (formerly Inversiones Nacional de Chocolates S.A.) since 2003. He was President of Corfinsura from 1993 to 2000, Vice President of Finance of Compañía Suramericana de Seguros S.A. from 1989 to 1993, Vice President of Personal Banking of Banco Industrial Colombiano from 1986 to 1989, National Manager of Credit Cards of Banco Industrial Colombiano from 1984 to 1986 and General Manager of Suleasing S.A. from 1981 to 1984. Mr. Piedrahita Arocha is a member of the board of directors of Suramericana de Inversiones S.A., Consejo Empresario de America Latina (CEAL) and Inversiones Argos S.A. He is also a member of the board of directors of the following not-for-profit organizations: Hospital San Vicente de Paúl, Proantioquia and Consejo Privado de Competitividad.

Gonzalo Alberto Pérez Rojas was born in 1958. He is the President of Inversura S.A. He held different management positions at Compañía Suramericana de Seguros since 1981, such as Vice President of Corporate Businesses and Vice President of Insurance and Capitalization. Mr. Pérez Rojas is also a member of the board of directors of Interoceánica de Seguros S.A. (Republic of Panama), Fasecolda (Federación de Aseguradores Colombianos), Fondo de Prevención Vial (entity related to Federación Nacional de Aseguradores Colombianos), Colombiana de Inversiones S.A. and Fundación Suramericana.

Ricardo Sierra Moreno was born in 1951. He has been the President of Productora Distrihogar S.A. since 1989. He had previously held positions as Chief Financial Officer of Suramericana de Seguros S.A. from 1982 to 1989 and Regional Manager of Corporación Financiera Suramericana S.A. Corfinsura from 1979 to 1982. Mr. Sierra Moreno is also a member of the board of directors of Conconcreto S.A., Carulla Vivero S.A., UNE EPM Telecomunicaciones S.A. and Calcetines Crystal S.A. He has also been a member of the ANDI's sectional board since 1992.

Juan Camilo Restrepo Salazar was born in 1946. He has served in different public sector positions such as Secretary and adviser of the board of directors of the Central Bank, Banking Superintendent, President of the National Securities Commission (Comisión Nacional de Valores), Commercial Manager of the Federación Nacional de Cafeteros, Minister of Mines and Energy, Minister of Finance and Ambassador of Colombia in France. He has also held certain positions in the private sector such as President of Fedeleasing and Representative of the Federación Nacional de Cafeteros in the International Coffee Organization in London. He has been member of the board of directors of various companies such as Bansuperior, Seguros Atlas S.A., Seguros Atlas de Vida, Almacafé, Banco Cafetero, BCH, Bancoldex, La Previsora S.A., Caja de Crédito Agrario and Federación Nacional de Cafeteros. Currently, he is a member of the board of directors of the Empresas Públicas de Medellínand Constructora Cusezar. He is the author of various articles and publications and is an adjunct professor in several universities.

Alejandro Gaviria Uribe was born in 1965. Since 2004, he has been a professor and researcher at Universidad de los Andes (Bogota, Colombia) and a columnist for the weekly publication “El Espectador”. Previously, he was the Sub-director of the National Planning Department from 2002 to 2004 and the Sub-director of Fedesarrollo from 2000 to 2002. He was an associate researcher for Fedesarrollo from 2000 to 2001, a researcher for the Inter-American Development Bank - IABD from 1998 to 2000 and the Head of the National Planning Department of Colombia from 1993 to 1994. He has also held positions as economist in the Federación Nacional de Cafeteros and civil engineer for Suramericana de Seguros S.A. Currently he is a member of the board of directors of WWB Colombia and Isagen S.A. E.S.P. He is currently the economics dean at Universidad de los Andes.

Carlos Raúl Yepes Jimenez was born in 1964. He is the Legal Vice President of Cementos Argos S.A. Previously he was the Legal Director of Bancolombia and also the Legal Director of CI Unión de Bananeros de Urabá “Uniban”. He is a member of the board of directors of Contreebute (Empresa Forestall-ambiemta), CORBIC (Instituto Neuro-Cardio- Vascular) and he is also a member of the board of directors of the non-profit organization Fundación Ximena Rico.

Rafael Martinez Villegas was born in 1942. He holds a degree in Business Administration from EAFIT University in Medellin, and a Master’s degree in Science in Accounting from Texas Tech University. He had previously held positions as an auditor of Peat Marwick, Mitchell & Co firm, General Manager of Prebel, President of Inversiones Aliadas S.A. and Corporación Financiera Aliadas S.A.. He was also a member of the board of directors of Prebel S.A., Productos Familia S.A., Enka de Colombia S.A, Corporación Financiera Suramericana S.A and Orquesta Filarmónica de Medellín, among others. He is now dedicated to his particular business. Mr. Martinez Villegas occupies the position left vacant after the death of Mr. Alfonso Moreno Jaramillo in September of 2009.

For additional information regarding the Bank’s board of directors and its functions please see “Item 10. Additional Information – B. Memorandum and Articles of Association – Board of Directors.”

Senior Management

Jorge Londoño Saldarriaga was born in 1947. He has been the President of Bancolombia since 1996. Mr. Londoño was Vice President of Investments (CIO) of Suramericana de Seguros S.A. from 1993 to 1996, President (CEO) of the stockbrokerage firm Suvalor S.A. from 1991 to 1993 and Secretary of Finance of the City of Medellín from 1983 to 1984. Mr. Londoño Saldarriaga holds a degree in Business Administration from Universidad EAFIT in Medellín, and a Master’s degree in Economic Development from the University of Glasgow in Scotland.

Sergio Restrepo Isaza was born in 1961. He has been Executive Vice President of Corporate Development of Bancolombia since the Conavi/Corfinsura merger was completed on July 30, 2005. Previously, he had been President (CEO) of Corfinsura since 2004 and held various managerial positions at Corfinsura such as Vice President of Investment Banking from 1996 to 2004, Vice President of Investment and International Affairs from 1993 to 1996, and before that, Assistant to the CEO, Regional Manager, International Sub-manager and Project Director. Mr. Restrepo Isaza holds a B.A. degree from Universidad EAFIT in Medellín and an M.B.A. degree from Stanford University.

Juan Carlos Mora Uribe was born in 1965. He has been the Risk Management Vice President of Bancolombia since the Conavi/Corfinsura merger was completed on July 30, 2005. He served as the Vice President of Operations of Corfinsura since 2003 and held various positions within the corporation such as Corporate Finance Manager from 1995 to 2003, account executive from 1992 to 1995 and credit analyst from 1991 to 1992. Mr. Mora Uribe holds a B.A. degree from Universidad EAFIT and an M.B.A. degree from Babson College.

Santiago Pérez Moreno was born in 1955. He has been the Vice President of Personal and SMEs Banking since 1989, and has held different managerial positions at Bancolombia since 1981, such as Personal Banking Manager for the Bogota Region, International Commerce Manager for the Bogota Region and assistant for the Vice Presidency of International Commerce. Mr. Pérez Moreno holds an Industrial Economics degree from Universidad de los Andes University in Bogota and an M.B.A. from IESE in Barcelona.

Jaime Alberto Velásquez Botero was born in 1960. He has been the Vice President of Finance of Bancolombia since 1997. From 1989 through 1997, he held several managerial positions in the Economic Department and Investor Relations Department. Previously, he worked at C.I. Banacol from 1987 to 1989. Mr. Velásquez Botero holds an Economics Degree from Universidad de Antioquia in Medellín.

Mr. Mauricio Rosillo Rojas was born in 1969. He has been the Legal Vice President of Bancolombia since December 2008. Mr. Rosillo Rojas holds a law degree from Pontificia Universidad Javeriana, obtained a post graduate degree in financial law from Universidad de Los Andes, and a Master's degree in commercial and economic law from the University of Georgia in the United States. Mr. Rosillo Rojas has held several positions in the public and private sectors including secretary general of Fedeleasing, Interim Colombian Superintendent of Banking Cooperatives ("Superintendente de Economia Solidaria (encargado)"), director of financial regulation of the Colombian Ministry of Finance, supervisor of the securities market of the Colombian Stock Exchange and president of Autoregulador del Mercado de Valores a Colombian self-regulatory organization.

Olga Botero Peláez was born in 1963. She has been the Vice President of Technology of Bancolombia since October 2007. She has held different positions in companies including Hewlett Packard, Suramericana de Seguros S.A., Mecosoft and Orbitel. During her seven years at Orbitel, she held several positions, including Marketing Operations Manager, Customer Services Manager and National Sales Manager. She has also been a professor at universities including Universidad EAFIT, Universidad Javeriana and Universidad de la Sabana. Mrs. Botero Peláez is an engineer and has both a bachelor's degree and a Master's degree in Computer Science from Iowa State University.

Gonzalo Toro Bridge was born in 1960. He has been Vice President of Corporate Banking of Bancolombia since 2003. From 1988 until 1994, he was the Assistant of the Vice Presidency of Corporate and International Banking and from 1994 to 2003 he was the Vice President of Corporate and International Banking. Mr. Toro Bridge holds a B.A. degree from Universidad EAFIT in Medellín and a certificate of attendance from the Advanced Management Program for overseas bankers from the University of Pennsylvania.

Federico Ochoa Barrera was born in 1947. He has been the Executive Vice President of Services of Bancolombia since 1998. Before the merger of Banco Industrial Colombiano and Banco de Colombia, he held several positions at Banco de Colombia, including National Branches Vice President, Administrative Vice President, Commercial Vice President and Executive Vice President. Mr. Ochoa Barrera holds a B.A. from Harvard College and an attendance certificate for the Executives Program from Carnegie-Mellon University.

Augusto Restrepo Gómez was born in 1962. He has been the Administrative Vice President of Bancolombia since August 2007. Mr. Restrepo Gómez has worked in Bancolombia for 27 years holding several positions at different departments of Bancolombia such as analyst, sub-manager, chief of department and regional manager. Most recently he was the head of the Distribution Channels Unit. He is also member of the board of directors of ACH Colombia S.A., Multienlace S.A., Todo 1 Colombia S.A. and Redeban Multicolor S.A. Mr. Restrepo Gómez holds a B.A. degree from the Universidad Cooperativa de Colombia, and obtained a post graduate degree in Marketing from Universidad EAFIT. His post-graduate education also includes among others, courses in Advanced Management from Universidad de los Andes and Universidad de la Sabana.

Luis Fernando Montoya Cusso was born in 1954. He has been the Vice President of Operations since 1998. Since 1983, he has occupied several positions at Bancolombia, including Manager of Cúcuta Region from 1983 to 1985, Northern Region from 1986 to 1991, Bogota Region from 1991 to 1993, and Operations Manager. Mr. Montoya Cusso holds a B.A. degree from Universidad EAFIT in Medellín.

Jairo Burgos de la Espriella was born in 1965. He has been the Vice President of Human Resources since 1998. Since 1990, he has held several positions in the Bank's Human Resources Department. Previously, Mr. Burgos de la Espriella held positions as Legal Director of the Compañía del Teleférico a Montserrate S.A. from 1987 to 1989 and of the Fundación San Antonio de la Arquidiócesis de Bogotá from 1989 to 1990. Mr. Burgos de la Espriella graduated from Pontificia Universidad Javeriana (PUJ) Law School in Bogota, obtained post graduate degrees in Corporate Law and Labor Law from the Pontificia Universidad Javeriana, and a Masters degree in Science of Management from the Arthur D. Little School of Management in Boston.

Luis Fernando Muñoz Serna was born in 1956. He has been the Vice President of Mortgage Banking since the Conavi/Corfinsura merger that was completed on July 30, 2005. He joined Conavi in 1989 as Regional Manager for Bogota, holding various positions at Conavi such as Vice President of Business Development and Vice President of Corporate Banking since 1994. Previously, Mr. Muñoz Serna worked as Branch Manager for the main office of BIC in Bogota from 1983 to 1989 and Branch Manager for the main office of Banco Real de Colombia in Bogota from April to October 1989. Mr. Muñoz Serna holds an industrial engineering degree from Pontificia Universidad Javeriana in Bogota.

Luis Arturo Penagos Londoño was born in 1950. He has been the Vice President of Internal Audit since January of 2006. He had previously been the Internal Auditor of Conavi since 1993 and the Compliance Officer since 1996. He was the CEO of El Mundo newspaper from 1990 to 1991 and the external auditor of Uniban S.A. from 1980 to 1983. He also worked as audit assistant to Coltejer S.A. from 1977 to 1990 and was the Dean of the B.A. Department of Universidad EAFIT from 1983 to 1993. Mr. Penagos Londoño is a CPA from Universidad de Antioquia in Medellín and has an MBA degree and a specialization diploma in Systems Audit from Universidad EAFIT.

Carlos Alberto Rodriguez López was born in 1967. He has been the Vice President of Treasury since March of 2008. Among other positions, he has been Director of the Market Transactions Department of the Central Bank, General Manager of Public Credit and National Treasury, Vice President of Development of the Colombian Stock Exchange, and Manager of Corporate Finance at Interconexion Electrica S.A. (ISA). He has also been a professor at Universidad de los Andes. Mr. Rodriguez Lopez holds undergraduate and postgraduate degrees in economics from Universidad de los Andes and an MBA from Insead (France).

There are no family relationships between the directors and senior management of Bancolombia listed above.

No arrangements or understandings have been made by major stockholders, customers, suppliers or others pursuant to which any of the above directors or members of senior management were selected.

B. COMPENSATION OF DIRECTORS AND OFFICERS

During 2009 the Bank paid each director a fee of COP 1.6 million per month for sitting on the Board, and another fee of COP 1.6 million for attending each session of the committees. The members of the Board of Directors who belong to other advisory committees were paid additional monthly fees ranging from COP 1.6 million to COP 15.0 million.

The directors received no other compensation or benefits. Consistent with Colombian law, the Bank does not make public information regarding the compensation of the Bank's individual officers. The Bank's stockholders may request that information during the period preceding the annual general stockholders' meeting. The aggregate amount of remuneration paid by the Bank and consolidated subsidiaries to all directors, alternate directors and senior management during the fiscal year ended December 31, 2009 was COP 50.42 billion.

The board of directors approves the salary increases for vice presidents and authorizes the CEO to readjust the salary of the remaining employees.

The Bank has established an incentive compensation plan that awards bonuses semi-annually to its management employees. In determining the amount of any bonuses, the Bank takes into consideration the overall return on equity of the Bank and its executives' achievement of their individual goals. The Bank's variable compensation has deferred elements and depending on the amount awarded, the bonuses are payable in cash and as a combination of cash, a right to receive in three years an amount in cash determined with reference to the value of the Bank's stocks and an entitlement to a share in a pool of unvested bonuses. The pool of unvested bonuses is an account of preliminary bonuses, payable once it is established that the results that are the basis of such bonuses have been sustained over time and were not the result of a particular, extraordinary transaction that does not reflect better performance, according to guidelines designed by the Bank. Such elements are solely paid when certain future profits are obtained.

The Bank paid a total of COP 815.15 billion for salaries of personnel employed directly by the Bank and senior management of its affiliates. The sum of COP 36.82 billion that was paid for the incentive compensation plan was included in the total amount.

As of December 31, 2009, the Bank had provisioned the entire actuarial obligation corresponding to retirement pensions payable by the Bank, which amounted to COP 112.30 billion.

C. BOARD PRACTICES

At the stockholders' meeting held on March 1, 2010, the stockholders of the Bank elected Rafael Martinez Villegas to serve as an independent member of the Board of Directors for the remaining term of April 2009 to March 2011.

The Board of Directors is composed of the following members for the April 2009 - March 2011 period:

Name	First Elected to the Board	Term Expires
David Bojanini García	2006	2011
José Alberto Vélez Cadavid	1996	2011
Carlos Enrique Piedrahita Arocha	1994 (1)	2011
Gonzalo Alberto Pérez Rojas	2004 (2)	2011
Carlos Raúl Yepes Jiménez	2006	2011
Juan Camilo Restrepo Salazar	2006	2011
Alejandro Gaviria Uribe	2005	2011
Ricardo Sierra Moreno	1996 (3)	2011
Rafael Martinez Villegas	2010	2011

(1) Carlos Enrique Piedrahita Arocha had previously served as Bank's Director during the period 1990-1993.
(2) Gonzalo Alberto Pérez Rojas had previously served as Bank's Director during the period 1990-1994.
(3) Ricardo Sierra Moreno had previously served as Bank's Director during the period 1982-1988.

The following are the current terms of office and the period during which the members of senior management have served Bancolombia. There are no defined expiration terms. The members of senior management can be removed by a decision of the board of directors.

Name	Period Served
President	
Jorge Londoño Saldarriaga	Since 1996
Vice Presidents	
Sergio Restrepo Isaza	Since 2005
Federico Ochoa Barrera	Since 1984
Jaime Alberto Velásquez Botero	Since 1997
Juan Carlos Mora Uribe	Since 2005
Mauricio Rosillo Rojas	Since 2008
Santiago Pérez Moreno	Since 1989
Gonzalo Toro Bridge	Since 1998
Luis Fernando Muñoz Serna	Since 2005
Olga Botero Peláez	Since 2007

Luis Arturo Penagos Londoño	Since 2006
Augusto Restrepo Gómez	Since 2007

Name	Period Served
Luis Fernando Montoya Cusso	Since 1998
Jairo Burgos de la Espriella	Since 1998
Carlos Alberto Rodríguez López	Since 2008

Neither the Bank nor its Subsidiaries have any service contracts with the Bank's directors providing for benefits upon termination of employment.

For further information about the Bank's corporate governance practices please see "Item 16. Reserved – 16.B. Corporate Governance and Code of Ethics."

Audit Committee

In accordance with the Colombian regulation the Bank has an audit committee whose main purpose is to support the Bank's board of directors in supervising the effectiveness of the Bank's internal controls. The committee consists of three independent directors, one of whom must be a financial expert, who are elected by the board of directors for a period of two years.

The audit committee is composed of Mr. Alejandro Gaviria Uribe, Mr. Juan Camilo Restrepo Salazar, and Mr. Ricardo Sierra Moreno.

Pursuant to applicable U.S. laws for foreign private issuers, Mr. Alejandro Gaviria Uribe serves as the financial expert of the Audit Committee.

As established by the Superintendency of Finance, the audit committee has a charter approved by the Bank's board of directors which establishes its composition, organization, objectives, duties, responsibilities and extension of its activities. The Bank's board of directors also establishes the remuneration of the members of the audit committee. The audit committee must meet at least quarterly and must present a report of its activities at the general stockholders' meeting.

The Bank currently complies with the requirements of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder, as applicable to foreign private issuers with respect to the composition and functions of its audit committee.

Designation, Compensation and Development Committee

The board of directors of the Bank has established a designation, compensation and development committee whose members are elected by the board of directors. There are not defined expiration terms.

The main function of this committee is to determine hiring, compensation and development policies of the Bank's executive officers. The committee also supervises the goals established in the compensation programs and recommends the adoption of new remuneration programs for the Bank's executive officers.

The duties of the Designation, Compensation and Development Committee are: (i) setting the administration policies regarding the selection, evaluation, compensation, and development processes for senior management; (ii) determining the goals for senior management; (iii) proposing objective criteria under which the Bank hires senior management and designs succession plans; (iv) evaluating the performance of senior management and (v) the issuance of recommendations for the board of directors of the Bank concerning appointments and compensation of the President and senior management.

The members of the Designation, Compensation and Development committee are Ricardo Sierra Moreno, Carlos Enrique Piedrahita Arocha, David Bojanini Garcia and Jose Alberto Velez Cadavid.

D. EMPLOYEES

The following table sets forth the number of employees of the Bank for the last three fiscal years:

As of December 31	Total number of employees employed by Bancolombia and its consolidated Subsidiaries	Number of employees employed by Bancolombia and Bancolombia Miami Agency
2009	21,201	14,583
2008	19,728	13,479
2007	24,836	12,906

As of December 31, 2009, Bancolombia and its consolidated subsidiaries had 21,201 employees of which 14,583 were employed directly by the Bank. Of the 14,583 employees directly contracted by the Bank, 10,137 are operations personnel and 4,446 are management employees. Of the 14,583 employees, approximately 25.7% are located in the Bogota Region, 13.1% in the South Region, 16.7% in the Antioquia Region, 24.1% in the Medellin headquarters, 10.7% in the Central Region, 9.6% in the Caribbean Region and 0.1% in the Miami Agency. During 2009, the Bank employed an average of 53 employees per month through temporary personnel service companies.

Of the employees directly employed by Bancolombia, approximately 11.31% are part of a labor union called Sintrabancol, 9.58% are members of an industry union called Uneb, and 0.39% belong to an industry labor union called Sintraenfi. A collective bargaining agreement was reached with Uneb and Sintrabancol in October, 2008. The agreement has been in effect since November 1, 2008 and is set to expire on October 31, 2011. This agreement applies to approximately 10,127 employees regardless of whether they are members of a union.

With the execution of the Agreement, Bancolombia and its labor unions continue to work on the consolidation of long-term labor relationships based on mutual trust and respect.

E. SHARE OWNERSHIP

The following directors and managers owned common shares in Bancolombia as of December 31, 2009: Ricardo Sierra Moreno, Gonzalo Alberto Pérez Rojas, Jorge Londoño Saldarriaga, Sergio Restrepo Isaza, Olga Botero Peláez, Carlos Alberto Rodríguez López and Gonzalo Toro Bridge. None of their shareholdings, individually or in the aggregate, exceeded 1% of Bancolombia's outstanding common shares.

The following managers owned preferred shares in Bancolombia as of December 31, 2009: Jorge Londoño Saldarriaga, Sergio Restrepo Isaza, and Luis Santiago Pérez Moreno. None of their shareholdings exceeds 1% of Bancolombia's outstanding preferred shares.

As of December 31, 2009, there were no outstanding options to acquire any of Bancolombia's outstanding common shares or preferred shares.

ITEM 7. MAJOR STOCKHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR STOCKHOLDERS

In accordance with the Bank's by-laws, there are two classes of stock authorized and outstanding: common shares and preferred shares. Each common share entitles its holder to one vote at meetings of the Bank's stockholders, and there are no differences in the voting rights conferred by any of the common shares. Under the Bank's by-laws and Colombian corporate law, holders of preferred shares (and consequently, holders of ADRs) have no voting rights in respect of preferred shares, other than in limited circumstances as described in "Item 10. Additional Information – B. Memorandum and Articles of Association – Description of Share Rights, Preferences and Restrictions – Voting Rights – Preferred Shares".

The following table sets forth, solely for purposes of United States securities laws, certain information regarding the beneficial ownership of Bancolombia's capital stock by each person known to Bancolombia to own beneficially more than 5% of each class of Bancolombia's outstanding capital stock as of March 31, 2010. A beneficial owner includes anyone who has the power to receive the economic benefit of ownership of the securities.

Name	Common Shares	Preferred Shares	% Ownership of Common Shares (1)	% Ownership of Preferred Shares (1)	% Ownership of Total Shares (1)
Suramericana de Inversiones and Subsidiaries (2)	228,599,939	31,843	44.85%	0.01%	29.02%
Inversiones Argos S.A. (3)	62,386,256	-	12.24%	0.00%	7.92%
ADR Program	-	157,509,016	0.00%	56.63%	19.99%
Fondo de Pensiones Obligatorias Protección S.A.	10,590,291	27,462,752	2.08%	9.87%	4.83%
Fondo de Pensiones Obligatorias Porvenir	30,368,185	12,811,697	5.96%	4.61%	5.48%
Fondo de Pensiones Horizonte	12,889,726	14,617,916	2.53%	5.26%	3.49%

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(1) Common shares have one vote per share; preferred shares have limited voting rights under certain circumstances specified in the by-laws of Bancolombia filed as Exhibit 1 to this Annual Report.

(2) Represents ownership of Suramericana de Inversiones S.A. directly and through its subsidiaries Portafolio de Inversiones Suramericana S.A., Fideicomiso Citirust-Suramericana-IFC, Sociedad Inversionista Anónima S.A., Compañía Suramericana de Construcciones S.A., Cia.Suramericana de Seguros S.A., Cía. Suramericana de Seguros de Vida S.A, Inversiones GVCS S.A., SIA Inversiones S.A. and Suramericana Administradora de Riesgos Profesionales y Seguros SURATEP.

(3) Represents ownership of Inversiones Argos S.A. directly and through subsidiary Cementos Argos S.A.

As of March 31, 2009, a total of 509,704,584 common shares and 278,122,419 preferred shares were registered in the Bank's stockholder registry in the name of 17,726 stockholders. A total of 156,875,332 representing 56.4% of preferred shares were part of the ADR Program and were held by 37 record holders registered in the Bank of New York Mellon's registered stockholder list. Given that some of the preferred shares and ADSs are held by nominees, the number of record holders may not be representative of the number of beneficial owners.

During 2009, the Bank's ADR program changed its percentage ownership of the Bank decreasing from 22.6% as of March 31, 2008 to 19.99% by the end of March 2010, as depositary receipts were cancelled throughout the period. In addition, Fondo de Pensiones Obligatorias Protección, Fondo de Pensiones Obligatorias Porvenir, and Fondo de Pensiones Horizonte, three Colombian private pension fund managers, increased their percentage of ownership reaching 4.8%, 5.5% and 3.49% as of March 31, 2010 compared to the 4.6%, 3.5% and 2.6% held by them, respectively, as of March 31, 2009.

There are no arrangements known to the Bank which may at a subsequent date result in a change in control of the company.

To the extent known to the Bank, and in accordance with Colombian law, Bancolombia is not directly or indirectly owned or controlled by any other entity or person.

B. RELATED PARTY TRANSACTIONS

Colombian law sets forth certain restrictions and limitations on transactions carried out with related parties, these being understood to be principal stockholders, subsidiaries and management.

Transactions that are prohibited in the case of credit institutions are described in Decree 663 of 1993, specifically in Articles 119 and 122 thereof, as well as in the Code of Commerce duly amended by Law 222 of 1995, when applicable. Credit and risk concentration limits are regulated by Decree 2360 of 1993, including its respective amendments and addendas.

The above-mentioned laws regulate, among others, the following: (i) subsidiaries must carry out their activities independently and with administrative autonomy; (ii) transactions between the parent company and its subsidiaries must be of a real nature and cannot differ considerably from standard market conditions, nor be in detriment to the Colombian government, stockholders or third parties and (iii) subsidiaries may not acquire any shares issued by their parent company.

In addition, the Bank's Corporate Governance Code provides that in any event, any transaction in Bancolombia's shares carried out by any official, director or manager, may not be done for speculative purposes, which would be presumed for example in the case of the following three conditions coinciding: (a) suspiciously short lapses existing between the purchase and the sale of shares; (b) situations arising proving to be exceptionally favorable for the Bank, and (c) significant profits being obtained from this transaction. From time to time, Bancolombia makes loans to related parties and engages in other transactions with such parties. Such loans have been made in the ordinary course of business, on substantially the same terms, including interest rates and required collateral, as those prevailing at the time for comparable transactions with other similarly situated persons, and have not involved more than the normal risk of collectability or presented other unfavorable features.

Other than as described above, through the date of this Annual Report, the Bank has not been involved in any related party transactions that are material to the Bank or any of the Bank's related parties and that are unusual in their nature or conditions.

Bancolombia, on a non-consolidated basis, had a total amount of COP 253,604 million in loans outstanding to related parties as of April 30, 2010. This amount includes the largest amount outstanding as of April 30, 2010 which is a loan to Inversiones Argos S.A., outstanding in the amount of COP 143,060 million (which is represented in ordinary loans) and accrued interest for COP 2,955 million. As of April 30, 2010, the average interest rate for this loan is 6.19%.

As of December 31, 2009, significant balances and transactions with related parties were as follows:

	2009			
	Enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the company and associates (COP million)		Key management personnel	
Balance Sheet				
Investment securities		285,338		-
Loans		49,108		37,900
Customers' acceptances and derivatives		3,725		52
Accounts receivable		2,761		449
Total	COP	340,932	COP	38,401
Deposits		1,546,873		10,772
Accounts payable		25,336		1,196
Bonds		180,614		500
Total	COP	1,752,823	COP	12,468
Transactions Income				

Dividends received		21,521		-
Interest and fees		19,210		4,899
Other		431		261
Total	COP	41,162	COP	5,160
Expenses				
Interest		64,303		214
Fees		1,102		1,039
Other		16,738		1,005
Total	COP	82,143	COP	2,258

For additional information regarding the Bank's related party transactions, please see "Note 29 to the Consolidated Financial Statements".

C. INTEREST OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

A.1. CONSOLIDATED FINANCIAL STATEMENTS

Reference is made to pages F- 1 through F – 121.

A.2. LEGAL PROCEEDINGS

The Bank is involved in normal collection proceedings and restructuring proceedings with respect to certain borrowers and other legal procedures in the ordinary course of business. For the purpose of its audited financial statements, the Bank has various contingent liabilities, including contingent liabilities relating to ordinary commercial and civil litigation outstanding as of December 31, 2009 amounting to COP 651,914 million. As of December 31, 2009, there are ten (10) judicial proceedings against the Bank with an individual value exceeding COP 5,000 million. Among these, only those which were considered "probable" received an accounting provision.

As of December 31, 2009, COP 173 million of these liabilities are covered in a guarantee contract entered into by Fogafin and private investors when the former Banco de Colombia S.A. was privatized in 1994. This guarantee contract remains in force in connection with litigation that was commenced before the privatization of former Banco de Colombia S.A.

In the opinion of management, after consultation with its external Colombian legal counsel, the outcome of these contingent liabilities relating to ordinary commercial and civil litigation is not expected to have a material adverse effect on the Bank's financial condition or results of operations and the possibility of loss by the Bank as a result of such litigation is not likely to exceed the recorded allowance as of December 31, 2009 of COP 30,787 million.

OTHER LEGAL PROCEEDINGS

The legal claims to which the Bank has been linked as a defendant are duly provisioned in the cases required, in accordance with Colombian regulations, as shown in the notes to the financial statements. No event has occurred in those legal proceedings that may significantly and negatively impact the Bank's normal operations or its results.

The most significant legal proceedings are those relating to the "Gilinski Case" and one claim against Fiduciaria Bancolombia, as set forth below:

(i) Criminal Investigation related to the “Gilinski Case”.

Criminal Investigation related to fraud, unauthorized transactions with stockholders and improper use of public resources

On December 26, 2003, the Special Unit of the Attorney General’s Office for Crime Against Public Administration delivered an order (a “preclusion order”) barring the criminal investigation for the alleged crimes of fraud, unauthorized operations with stockholders and improper use of public resources against Jorge Londoño Saldarriaga and Federico Ochoa Barrera, President and Vice-President of Bancolombia, respectively, which investigation was initiated as a result of an accusation filed by the Gilinski family in connection with the events that occurred during the acquisition by Bancolombia (formerly Banco Industrial Colombiano S.A.) of Banco de Colombia S.A. and their subsequent merger (the “Merger”). This decision was upheld in the second instance by the Attorney General’s Delegated Unit before the Supreme Court of Justice on July 8, 2004.

The Attorney General’s Office established that the alleged crimes of fraud, unauthorized operations with stockholders and improper use of public funds had not been committed and, as a result, the Bank was completely exonerated from the claims for damages filed by the plaintiffs.

In 2005, before the Constitutional Court Messrs. Jaime and Isaac Gilinski filed an action for the protection of rights against the Attorney General’s Office, the Attorney General’s Delegated Unit before the Supreme Court of Justice (Fiscal Delegado ante la Corte Suprema de Justicia) and the National Unit of the Attorney General’s Office Specialized in Crimes against Public Administration, in an attempt to reopen the investigation, alleging that certain evidence gathered abroad was not taken into account when deciding on the merits of the case in December 2003, thereby obstructing due process. The investigation was reopened for the purpose of collecting and evaluating evidence that had been requested to be gathered outside of Colombia.

On January 4, 2007, the Attorney General’s Office issued a resolution, which authorized the prosecution and ordered the house arrest of Mr. Londoño Saldarriaga and Mr. Ochoa Barrera.

Mr. Londoño Saldarriaga and Mr. Ochoa Barrera appealed the decision of the Attorney General’s Office (Fiscalía Octava Delegada) arguing the absence of evidence in support of the Attorney General’s Office decision on January 4, 2007, the violation of due process and, most importantly, the disregard of the principle of res judicata.

The Prosecutor (Procuraduría General de la Nación) also appealed the January 4, 2007 decision requesting the nullification of the Attorney General’s Office decision.

On January 10, 2007, the Attorney General’s Office revoked the order issued on January 4, 2007 that had directed the house arrest of Mr. Londoño Saldarriaga and Mr. Ochoa Barrera.

On September 24, 2007, the Attorney General’s Delegated Unit before the Supreme Court of Justice, in the second instance, delivered a preclusion order barring the criminal investigation related to unauthorized transactions with stockholders. This decision was not appealed.

On September 25, 2007, the Attorney General’s Delegated Unit before the Supreme Court of Justice, in the second instance, revoked the decision of first instance, dated January 4, 2007 and decided not to prosecute Mr. Londoño Saldarriaga and Mr. Ochoa Barrera for the events that occurred during the acquisition of Banco de Colombia S.A. by the Bank (formerly Banco Industrial Colombiano S.A.) and its subsequent merger in 1998. However, the investigation continued and the Attorney General’s Delegated Unit before the Supreme Court of Justice ordered the Attorney General of first instance to consider the documentary and testimonial evidence in order to comply with the decision of the Constitutional Court.

On June 17, 2009, the Prosecutor issued a non mandatory request to the Attorney General's Office to issue a preclusion order barring the criminal investigation against both Mr. Londoño Saldarriaga and Mr. Ochoa Barrera for the alleged crime of improper use of public funds. The motion also requested a preclusion order barring the criminal investigation against Mr. Ochoa Barrera for the alleged crime of fraud but recommends the continuation of such investigation against Mr. Londoño Saldarriaga.

On July 31, 2009, the Delegated Attorney General's Office No. 59 before the Court of Bogota delivered a preclusion order barring further criminal investigations into the alleged crimes of fraud and improper use of public resources against Mr. Londoño Saldarriaga and Mr. Ochoa Barrera. In addition, the Attorney General's Office delivered a prescription order barring the criminal investigation for the alleged crimes of improper use of public resources. This decision was appealed by Isaac Gilinski, Jaime Gilinski, Swain Finance Co., Jacklyn Finance Co., Garbay Isle Investements, Foye Investments, Feldome Worldwide Corp, Early Haven Investments, Colonel County, Caprice Maritime Ltd and Bloice Enterprise Aileen International Co.

As of March 15, 2010, the appeal filed bySwain Finance Co., Jacklyn Finance Co., Garbay Isle Investements, Foye Investments, Feldome Worldwide Corp, Early Haven Investments, Colonel County, Caprice Maritime Ltd and Bloice Enterprise Aileen International Co. remains pending.

Criminal Investigation related to willful misconduct and willful neglect by a public officer (prevaricato por acción and prevaricato por omisión)

On September 12, 2007, the Attorney General's Office No. 218 of the First Unit of Crimes against the Public Administration and Justice of Bogotá (Fiscal Delegada 218 de la Unidad Primera de Delitos contra la Administración Pública y de Justicia de Bogotá), revoked its July 31, 2006 decision that had barred the investigation against Mr. Londoño Saldarriaga and decided to initiate a formal investigation against Mr. Londoño Saldarriaga, the board of directors of the Central Bank, certain officers of the Superintendency of Finance and the board of directors of the former Banco Industrial Colombiano S.A. This investigation was related to the Merger.

On April 21, 2009, the Attorney General's Delegated Unit before the Supreme Court of Justice delivered a preclusion order barring (i) the investigation against Mr. Londoño Saldarriaga in relation to the alleged aiding and abetting of the crimes of willful misconduct and willful neglect by a public officer and (ii) the investigation against the members of the board of directors of Banco Industrial Colombiano S.A. in office at the time of the Merger relating to the alleged aiding and abetting of the crimes of willful misconduct and willful neglect by a public officer, procedural fraud and fraud. This preclusion order also barred the investigation of the members of the board of directors of the Central Bank and certain officers of the Superintendency of Finance. This decision was appealed by the accuser Jose Edgar Enciso.

On July 31, 2009 Colombian Vice Attorney General's Office (Vicefiscal General de la Nación), issued the following decisions in the second instance: (i) partially reversed the preclusion order issued in the first instance to close the investigations relating to allegations of fraud against the former board members of Banco Industrial Colombiano S.A. and certain officers of the Superintendency of Finance; (ii) ordered the consolidation of legal proceedings relating to allegations of fraud that concluded that; (iii) partially reversed the preclusion order, issued in the first instance, to close the investigations related to allegations of willful neglect by a public officer (prevaricato por omisión) against the board members of the Central Bank, certain officers of the Superintendency of Finance and the board members of the former Banco Industrial Colombiano S.A.; and (iv) confirmed the decision issued in the first instance that concluded that the prescriptive periods relating to the allegation of willfull misconduct by a public officer (prevaricato por acción) against the board members of the Central Bank, certain officers of the Superintendency of Finance and the board members of the former Banco Industrial Colombiano S.A. had expired.

On August 10, 2009, a representative for Mr. Londoño Saldarriaga and the board of directors of the former Banco Industrial Colombiano S.A. requested that the court nullify and modify its decision of July 31, 2005. As of March 15, 2010, the request remains pending and the court of first instance has not enforced the decision issued by the Vice Attorney General's Office on July 31, 2009.

(ii) Arbitration Proceeding: Bancolombia S.A. vs. Gilinski.

In 2004, an arbitration process was initiated by the Bank under the auspices of the Bogota Chamber of Commerce to resolve certain claims related to hidden contingencies and liabilities that the Bank believes are payable by the former owners of Banco de Colombia S.A. On March 30, 2006, the arbitral tribunal issued an award ordering the defendants to pay the Bank COP 63,216 million, including inflation adjustments and interest. The defendants filed an action for annulment, which was granted by the Tribunal Superior de Bogotá (the "Superior Court") on February 26, 2008.

The Bank presented an appeal (recurso de revision) before the Civil Chamber of the Colombian Supreme Court of Justice, to order the Superior Court to review the decision issued on February 26, 2008.

As of March 15, 2010, the appeal (recurso extraordinario de revisión) filed by the Bank remains pending.

(iii) Arbitration Proceeding: Gilinski vs. Bancolombia S.A.

On June 2, 2004, another arbitration was initiated by the sellers of Banco de Colombia S.A. against the Bank and some members of its senior management, based on charges similar to those previously presented before various administrative and judicial authorities and discussed in section (i).

On May 16, 2006, the arbitration tribunal issued an award that ruled in favor of the Bank on the majority of the claims. However, the tribunal ruled that the Bank should pay COP 40,570 million to the plaintiffs with respect to non-compliance with some secondary obligations relating to the capitalization process.

The arbitration tribunal denied all the plaintiffs' claims against senior management and exonerated them of all liability, ordering the plaintiffs to pay court costs.

In addition, the arbitration tribunal held that the plaintiffs had failed to prove that the Bank and its senior managers had committed any fraudulent operations or made any fraudulent representations regarding the agreement governing the Merger, and denied any moral damages in favor of the plaintiffs.

On June 7, 2006, the Bank filed an extraordinary annulment action before the Superior Court. In the annulment action, the Bank argued that the ruling contained mathematical mistakes, that the arbitration tribunal did not decide issues that were material to the arbitration and that the arbitration tribunal improperly granted more than the requested relief. This annulment action did not succeed and consequently, the May 16, 2007 award relating to non-compliance with secondary obligations was upheld.

On March 11, 2008, the Bank paid approximately US$ 33.39 million in satisfaction of the May 16, 2006 decision. As a result, this proceeding is terminated and is not subject to any further appeals.

(iv) Proceeding related to the "Gilinski Case", before the United States Court for the Southern District of New York.

On February 28, 2007, the United States Court for the Southern District of New York (the "Court") dismissed the complaint of the sellers of the former Banco de Colombia S.A. against the Bank, Mr. Londoño Saldarriaga, and some of the officers that were members of the board of directors of the Bank at the time of the acquisition and merger.

The lawsuit, which had been initiated on March 24, 1999, had been suspended by the Court on September 28, 1999, pending the resolution of the case before the arbitral tribunal in Colombia, as described in the immediately preceding section.

The Court based its February 28, 2007 ruling on the principle of res judicata. The Court considered that the award of the Colombian arbitral tribunal, dated May 16, 2006, decided the same claims filed before the Court in New York and therefore rejected any claims against the Bank and its senior management and dismissed the plaintiff's complaint in its entirety with prejudice.

On June 2, 2008, the Court of Appeals summarily affirmed the February 28, 2007 ruling. The time for further appeal of the judgment has expired.

(v) Arbitration Proceeding: Ministry of Social Protection vs. Fiduciaria Bancolombia, Fiduciaria la Previsora S.A. and Fiduciaria Cafetera S.A.

On January 31, 2008, the Colombian Social Protection Ministry (Ministerio de Protección Social) filed a complaint against Fiduciaria Bancolombia S.A., Fiduciaria La Previsora S.A. and Fiduciaria Cafetera S.A. (together the "Fisalud Consortium") and requested the Chamber of Commerce of Bogota to convene an arbitration tribunal. The complaint was filed in connection with an agreement, dated December 14, 2000, for the administration of FOSYGA funds alleging unauthorized payments in favor of health care entities (entidades promotoras de salud) and health compensation entities (entidades obligadas a compensar), and other breaches of contract. The complaint requests the restoration and payment of COP 173,001,916,480 or such other amounts as may be proved.

The Fisalud Consortium claimed a number of defenses to the plaintiff's claims and requested the payment of COP 1,748,134,902.94, plus interest, for trust fees that were not paid by the Colombian Ministry of Social Protection as well as other damages.

On December 18, 2009, the arbitrators approved a conciliation agreement for a total amount of COP 5,939,438,112 reached by the Ministry of Social Protection and Fiduciary Bancolombia S.A. Fiduciaria La Previsora S.A. and Fiduciaria Cafetera S.A..Pursuant to the conciliation agreement ,Fiduciary Bancolombia S.A. paid 50% of theaforementioned total amountin correspondance to its participation in the Fisalud Consortium,thusending thisproceedings.

(vi) Constitutional public interest action: María del Rosario Escobar Girona vs Bancolombia S.A. and la Defensoría del Pueblo.

On September 10, 2009, the Administrative Court No. 42 of Bogota - Fourth Section held a public interest conciliation hearing in connection with the aforementioned case.

The plaintiff alleged breach by the Bank of collective rights and interests regarding administrative morality and the defense of public property in connection with its failure to pay amounts due under certain arbitral proceedings.

The defendants were notified and the Bank on October 23, 2009 responded to the lawsuit. On February 18, 2010 the public interest conciliation hearing was declared failed.

As of March 15, 2010, discovery is pending.

(vii) Foreclosure by one creditor Swaine Executive Finance Co and / or others (including Isaac Gilinski Sragowicz and Jaime Gilinski Bacal) against Bancolombia S,A. and the Defensoría del Pueblo.

On November 28, 2009, the 15th Civil Circuit Court of Bogota issued an order for payment against Bancolombia S.A. and La Defensoría del Pueblo and ordered: i) the Bank to pay La Defensoría del Pueblo's COP 15,878,702,682.18 (plus default interest), an amount that corresponds to the difference between what is mentioned in the arbitral proceeding of Luis Alberto Duran and the amount paid by the Bank and ii) La Defensoría del Pueblo, after receiving such payment, to issue relevant administrative decisions ordering the delivery of any amounts due to beneficiaries of the aforementioned arbitral proceeding of Luis Alberto Duran.

In this proceeding the judge issued a precautionary measure which has been suspended since the Bank offered to pay bail. The option of payment was admitted by the judge.

Notified of the lawsuit, the Bank and the Defensoría del Pueblo filed a request for review against the order for payment aforementioned.

As of April 19, 2010, the request filed by the Bank and the Defesoría del Pueblo remains pending.

(viii) Action for the protection of rights: Jaime Gilinski Bacal vs HSBC Fiduciaria S.A.

Through an authorized attorney, Mr. Jaime Gilinski Bacal filed a protection action of rights against HSBC Fiduciaria S.A. alleging breach of fundamental rights to due process and the administration of justice. Through this action Mr. Gilinski Bacal is seeking to have the guarantee issued in connection with the purchase agreement governing the Merger assigned to his name.

The request was granted in the first and second instance on April 21 and May 29, 2009, and the Trust proceeded to give Mr. Gilinski Bacal the total amount of the security provided in connection with the merger of the Bank with Conavi and Corfinsura in 1998 that at the time was worth US$ 30 million.

On December 7, 2009, the Constitutional Court revoked the decisions issued on first and second instance on April 21 and May 29, 2009 and ordered Mr. Jaime Gilinski Bacal, at the end of 10 days from the notification of the decision, reconstitute the security trustee added with commercial interests. The Bank was notified of this decision on April 6, 2010.

A.3. DIVIDEND POLICY

The declaration, amount and payment of dividends is based on Bancolombia's unconsolidated earnings. Dividends must be approved at the ordinary annual stockholders' meeting upon the recommendation of the board of directors and the President of Bancolombia. Under the Colombian Commerce Code, after payment of income taxes and appropriation of legal and other reserves, and after setting off losses from prior fiscal years, Bancolombia must distribute to its stockholders at least 50% of its annual net income or 70% of its annual net income if the total amount of reserves exceeds its outstanding capital. Such dividend distribution must be made to all stockholders, in cash or in issued stock of Bancolombia, as may be determined by the stockholders, and within a year from the date of the ordinary annual stockholders' meeting in which the dividend was declared. According to Colombia's law, the minimum dividend per share may be waived by an affirmative vote of the holders of 78% of the shares present at the stockholders' meeting.

The annual net profits of Bancolombia must be applied as follows: (i) first, an amount equal to 10% of Bancolombia's net profits to a legal reserve until such reserve is equal to at least 50% of the Bank's paid-in capital; (ii) second, to the payment of the minimum dividend on the preferred shares (for more information, see "Item 10. Additional Information – B. Memorandum and Articles of Association") and (iii) third, as may be determined in the ordinary annual stockholders' meeting by the vote of the holders of a majority of the shares entitled to vote.

The following table sets forth the annual cash dividends paid on each common share and each preferred share during the periods indicated:

Dividends declared with respect to net income earned in:	Cash Dividends per share (1)(2) (COP)	Cash Dividends per share (1)(3) (U.S. dollars)
2009	637	0.331
2008	624	0.245
2007	568	0.310
2006	532	0.243
2005	508	0.222

(1) Includes common shares and preferred shares.
(2) Cash dividends for 2005, 2006, 2007 and 2008 were paid in quarterly installments and cash dividends for 2009 will be paid in quarterly installments.
(3) Amounts have been translated from pesos at the Representative Market Rate in effect at the end of the month in which the dividends were declared (February or March, as applicable).

B. SIGNIFICANT CHANGES

There have not been any significant changes since the date of the annual financial statements included in this document.

ITEM 9. THE OFFER AND LISTING.

A. OFFER AND LISTING DETAILS

Bancolombia's ADRs, each representing four preferred shares, have been listed on the New York Stock Exchange ("NYSE") since 1995, where they are traded under the symbol "CIB". Bancolombia's preferred shares are also listed on the Colombian Stock Exchange.

The table below sets forth, for the periods indicated, the reported high and low market prices and share trading volume for the preferred shares on the Colombian Stock Exchange. The table also sets forth the reported high and low market prices and the trading volume of the ADRs on the NYSE for the periods indicated:

	Colombia Stock Exchange COP Per Preferred Share		New York Stock Exchange US$ per ADS		New York Stock Exchange Trading Volume (Number of ADSs)
	High	Low	High	Low	
Year Ending					
December 31, 2009	24,200	10,500	48.00	15.90	110,477,052
December 31, 2008	18,960	9,300	44.00	15.00	135,084,078
December 31, 2007	19,360	13,200	39.00	24.00	129,408,200
December 31, 2006	20,700	12,980	36.18	20.00	97,287,628
December 31, 2005	17,000	7,670	29.25	12.40	81,772,000
December 31, 2004	9,030	3,839	48.00	5.30	31,487,800

Source: NYSENet (Composite Index) and Colombia Stock Exchange.

	Colombia Stock Exchange COP Per Preferred Shares		Colombia Stock Exchange Trading Volume (Number of Shares)	New York Stock Exchange US$ per ADS		New York Stock Exchange Trading Volume (Number of ADSs)
	High	Low		High	Low	
	(in nominal pesos)					
2010						
First quarter	13,160	10,500	62,193,123	24.33	15.90	32,044,861
2009						
First quarter	13,160	10,500	62,193,123	24.33	15.90	32,044,861
Second quarter	20,700	15,200	64,560,996	32.19	18.96	31,203,505
Third quarter	18,000	12,700	55,568,395	43.29	28.23	23,030,364
Fourth quarter	24,200	19,240	40,141,186	48.00	38.17	23,488,506
2008						
First quarter	17,800	13,800	15,322,243	36.15	28.30	32,658,916
	18,960	14,200	19,692,336	44.00	31.11	33,723,007

Second quarter						
Third quarter	18,000	12,700	19,660,860	36.30	25.36	33,308,846
Fourth quarter	16,520	9,300	59,706,668	29.88	15.00	35,393,309

Source: NYSENet (Composite Index) and Colombia Stock Exchange.

	Colombia Stock Exchange COP Per Preferred Share		New York Stock Exchange US$ per ADS		Trading Volume (Number of ADSs)
	High	Low	High	Low	
Month					
December 2009	24,000	21,500	48.00	43.14	8,434,419
January 2010	23,540	21,400	48.30	42.73	6,604,793
February 2010	22,220	20,400	46.45	40.10	6,659,787
March 2010	22,600	21,620	47.52	45.01	6,762,266
April 2010	24,140	22,220	49.70	45.59	5,568,143

	Colombia Stock Exchange COP Per Preferred Share		New York Stock Exchange US$ per ADS		
	High	Low	High	Low	Trading Volume (Number of ADSs)
Month					
May 2010 (1)	23,640	21,680	47.85	42.53	4,031,142

Source: NYSENet (Composite Index) and Colombia Stock Exchange.

(1) Figures are as of May 18, 2010.

ADRs evidencing ADSs are issuable by The Bank of New York Mellon (the "Depositary"), as Depositary, pursuant to the Deposit Agreement, dated as of July 25, 1995, entered into by Bancolombia, the Depositary, the owners of ADRs from time to time and the owners and beneficial owners from time to time of ADRs, pursuant to which the ADSs are issued (as amended, the "Deposit Agreement"). The Deposit Agreement was amended and restated on January 14, 2008. Copies of the Deposit Agreement are available for inspection at the Corporate Trust Office of the Depositary, currently located at 101 Barclay Street, New York, New York 10286, and at the office of Fiduciaria Bancolombia, as agent of the Depositary, currently located at Carrera 48, No. 26 - 85, Medellín, Colombia or Calle 30A No. 6-38, Bogotá, Colombia. The Depositary's principal executive office is located at One Wall Street, New York, New York 10286.

On September 30, 1998, Bancolombia filed a registration statement on Form F-3 with the SEC to register ADSs evidenced by ADRs, each representing four preferred shares, issued in connection with the merger between BIC and Banco de Colombia for resale by the holders into the U.S. public market from time to time. On January 24, 2005, the Board determined to deregister the unsold ADSs registered under the registration statement on Form F-3. On March 14, 2005, Bancolombia filed an amendment to the registration statement deregistering the remaining unsold ADSs. On August 8, 2005, Bancolombia filed, through the Depositary, a registration statement on Form F-6 registering 50,000,000 ADSs evidenced by ADRs in connection with the Conavi/Corfinsura merger. On May 14, 2007, Bancolombia filed an automatic shelf registration statement on Form F-3 with the SEC to register an indeterminate amount of debt securities, preferred shares and rights to subscribe preferred shares in connection with the subsequent offerings which took place in the second and third quarter of 2007. On January 14, 2008, by filing the Form F-6 before the SEC, Bancolombia increased the amount of its ADR program up to 400,000,000 American Depositary Shares, and registered some amendments to the Depositary Agreement of ADS's between Bancolombia and the Bank of New York.

B. PLAN OF DISTRIBUTION

Not applicable.

C. MARKETS

The Colombian Stock Exchange is the principal non-U.S. trading market for the preferred shares and the sole market for the common shares. As of December 31, 2009, the market capitalization for Bancolombia's preferred shares based on the closing price in the Colombian Stock Exchange was COP 6,414 billion (Bancolombia's total market capitalization, which includes the common and preferred shares, was COP 18,208 billion or US$ 8.91 billion as of the same date).

There are no official market makers or independent specialists on the Colombian Stock Exchange to assure market liquidity and, therefore, orders to buy or sell in excess of corresponding orders to sell or buy will not be executed. The aggregate equity market capitalization of the Colombian Stock Exchange as of December 31, 2009, was COP 287,082 billion (U.S. dollars 140.3 billion), with 104 companies listed as of that date.

D. SELLING STOCKHOLDERS

Not applicable.

E. DILUTION

Not applicable.

F. EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not applicable.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

For information regarding "Memorandum and Article of Association" please see "Item 10. Additional Information – B. Memorandum and Articles of Association " of Form 20F - 2008.

C. MATERIAL CONTRACTS

On June 6, 2008, Bancolombia announced the execution of an agreement whereby it sold 100% of its direct and indirect interest in Multienlace S.A. to Stratton Spain S.L., equating to approximately 98% of Multienlace S.A. The purchase price was COP 105,882.6 million. Multienlace S.A. provides business process outsourcing and contact center services to corporate clients.

In March 2010, Leasing Bancolombia S.A Compañía de Financiamiento Comercial, signed a stockholders purchase agreement with Mitsubishi Corporation to acquire the shares that Mitsubishi has in Renting Colombia S.A. Therefore, Leasing Bancolombia S.A. owns 94.5% of Renting Colombia S.A.

On March 19, 2010, 25% of the assets, liabilities and contracts of Sufinanciamiento Finance Company were assigned to its parent company, Bancolombia, as authorized by the Colombian Superintendency of Finance. Pursuant to the Transaction, Sufinanciamiento assigned to Bancolombia assets and contracts totaling COP 1,208,019 million and Bancolombia assumed liabilities of Sufinanciamiento totaling COP 1,192,809 million. The difference, amounting to COP 15,210 million was paid by Bancolombia. Also pursuant to the Transaction, Bancolombia kept the trademark to Sufinanciamiento, which will hereafter be used to identify the automobile finance division of Bancolombia.

D. EXCHANGE CONTROLS

The Central Bank has consistently made foreign currency available to Colombian private sector entities to meet their foreign currency obligations. Nevertheless, in the event of shortages of foreign currency, foreign currency may not be available to private sector companies and foreign currency needed by the Bank to service foreign currency obligations may not be purchased in the open market without substantial additional cost.

The Foreign Exchange Statute is contained in Law 9 of 1991 and External Resolution No. 8 of 2000, which were implemented by the External Regulating Circular DCIN 83 of 2006 of the board of directors of the Central Bank including its respective amendments. The International Investment Statute of Colombia is also contained in Decree 2080 of 2000 and Decree 1844 of 2003, as amended, and regulates the manner in which foreign investors can participate in the Colombian securities markets and undertake other types of investment, prescribes registration with the Central Bank of certain foreign exchange transactions and specifies procedures pursuant to which certain types of foreign investments are to be authorized and administered.

Under Colombian law and the Bank's by-laws, foreign investors receive the same treatment as Colombian citizens with respect to the ownership and the voting of ADSs and preferred shares. For a detailed discussion of ownership restrictions see "Item 4. Information on the Company – B. Business Overview – B.7. Supervision and Regulation – Ownership Restrictions".

E. TAXATION

Colombian Taxation

In Colombia, dividends received by foreign companies, foreign entities, non-resident individuals and successions of non-residents are subject to income taxes.

For purposes of Colombian taxation, an individual is a resident of Colombia if he or she is physically present in Colombia for six or more months during the calendar year or six or more consecutive or non-consecutive months during fiscal year. For purposes of Colombian taxation, a legal entity is a resident of Colombia if it is organized under the laws of Colombia.

Foreign companies, foreign investment funds, and individuals that are not Colombian residents are not required by law to file an income tax return in Colombia when dividends that have not been taxed at the corporate level have been subject to withholding taxes.

Pursuant to the Colombian International Investment Statute see "Item 10. Additional Information – D. Exchange Controls" the preferred shares deposited under the Deposit Agreement constitute a "Foreign Institutional Capital Investment Fund". Under Article 18-1 of the Estatuto Tributario, Decree 624 of 1989 as amended (the "Fiscal Statute"), dividends paid to foreign institutional capital investment funds are not subject to Colombian income, withholding, remittance or other taxes, provided that such dividends are paid in respect of previously taxed earnings of Bancolombia. Therefore, provided that distributions are made by the Bank to the holders of ADRs through the Depositary, all distributions by the Bank made on account of preferred shares to holders of ADRs evidencing ADSs who are not resident in Colombia, as defined below, will be exempt from Colombian income, withholding and remittance taxes, except when distributions are paid out of non-taxed earnings of the Bank, in which case the applicable tax rate for that distribution dividend is 33%.

Likewise, dividends paid to a holder of preferred shares (as distinguished from the ADSs representing such preferred shares) who is not a resident of Colombia, as defined below, and who holds the preferred shares in his own name, rather than through another institutional or individual fund, will be subject to income tax if such dividends do not correspond to the Bank's profits that have been taxed at the corporate level. For these purposes, the applicable rate is 33%.

Pursuant to article 36-1 of the Fiscal Statute, earnings received by a non-resident of Colombia derived from stock trading are not subject to income, withholding, remittance or other taxes in Colombia when the stock is listed on the Colombian Stock Exchange and the transaction does not involve the sale of 10% or more of the company's outstanding stock by the same beneficial owner in the same taxable year.

In the case of preferred shares trading in Colombia, the seller has to file an income tax return, and, if article 36-1 of the Colombian Fiscal Statute is not applicable, the transaction is subject to income tax at a rate of 33%. The sale of stock by foreign institutional capital investment funds is not subject to income tax pursuant to article 18-1 of the Fiscal Statute.

Other Tax Considerations

As of the date of this report, there is no income tax treaty and no inheritance or gift tax treaty in effect between Colombia and the United States. Transfers of ADSs from non-residents or residents to non-residents of Colombia by gift or inheritance are not subject to Colombian income tax. Transfers of ADSs or preferred shares by gift or inheritance from residents to residents or from non-residents to residents will be subject to Colombian income tax at the income tax rate applicable for occasional gains obtained by residents of Colombia. Transfers of preferred shares by gift or inheritance from non-residents to non-residents or from residents to non-residents are also subject to income tax in Colombia at a rate of 34% for 2007 and 33% for 2008 and thereafter. There are no Colombian stamp, issue, registration, transfer or similar taxes or duties payable by holders of preferred shares or ADSs.

United States Federal Income Taxation Considerations

In General

This section describes the material United States federal income tax consequences generally applicable to ownership by a U.S. holder (as defined below) of preferred shares or ADSs. It applies to you only if you hold your preferred shares or ADSs as capital assets for U.S. federal income tax purposes. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- a dealer in securities;
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;
- a tax-exempt organization;
- a life insurance company;
- a person liable for alternative minimum tax;
- a person that actually or constructively owns 10% or more of the Bank's voting stock;
- a person that holds preferred shares or ADSs as part of a straddle or a hedging or conversion transaction; or
- a person whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions all as currently in effect. These laws are subject to change, possibly on a retroactive basis. There is currently no comprehensive income tax treaty between the United States and Colombia. In addition, this section is based in part upon the representations of the depositary and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms. For United States federal income tax purposes, if you hold ADRs evidencing ADSs, you generally will be treated as the owner of the preferred shares represented by those ADRs. Exchanges of preferred shares for ADRs, and ADRs for preferred shares generally will not be subject to United States federal income tax.

You are a U.S. holder if you are a beneficial owner of preferred shares or ADSs and you are:

- a citizen or resident of the United States;
- a domestic corporation;
- an estate whose income is subject to United States federal income tax regardless of its source; or
- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

If a partnership holds the preferred shares or ADSs, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the preferred shares or ADSs should consult its tax advisor with regard to the United States federal income tax treatment of its investment in the preferred shares or ADSs.

You should consult your own tax advisor regarding the United States federal, state and local and the Colombian and other tax consequences of owning and disposing of preferred shares and ADSs in your particular circumstances.

This discussion addresses only United States federal income taxation.

Taxation of Dividends

Under the United States federal income tax laws, and subject to the passive foreign investment company, or PFIC, rules discussed below, if you are a U.S. holder, the gross amount of any dividend the Bank pays out of its current or accumulated earnings and profits (as determined for United States federal income tax purposes) is subject to United States federal income taxation. If you are a noncorporate U.S. holder, dividends paid to you in taxable years beginning before January 1, 2011 that constitute qualified dividend income will be taxable to you at a maximum tax rate of 15% provided that you hold the preferred shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date (or if the dividend is attributable to a period or periods aggregating over 366 days, provided that you hold the preferred shares or ADSs for more than 90 days during the 181-day period beginning 90 days before the ex-dividend date) and meet other holding period requirements. Dividends paid with respect to the preferred shares or ADSs generally will be qualified dividend income provided that, in the year that you receive the dividend, the preferred shares or ADSs are readily tradable on an established securities market in the United States. The preferred shares are currently not traded on an established securities market in the United States. Therefore, dividends paid with respect to the preferred shares will not be qualified dividend income and will be taxed as ordinary income. The Bank believes that its ADSs, which are listed on the NYSE, are readily tradable on an established securities market in the United States; however, there can be no assurance that the Bank's ADSs will continue to be readily tradable on an established securities market.

You must include any Colombian tax withheld from the dividend payment in this gross amount even though you do not in fact receive it. The dividend is taxable to you when you, in the case of preferred shares, or the Depositary, in the case of ADSs, receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the peso payments made, determined at the spot peso/U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the preferred shares or ADSs and thereafter as capital gain.

Subject to certain limitations, the Colombian tax withheld and paid over to Colombia will generally be creditable or deductible against your U.S. federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% tax rate.

For purposes of calculating a U.S. Holder's United States foreign tax credit limitation, dividends will be income from sources outside the United States and, depending on your circumstances, will generally be either passive income or general income for purposes of computing the foreign tax credit allowable to you. You should consult your own tax advisor regarding the foreign tax credit rules.

Taxation of Capital Gains

Subject to the PFIC rules discussed below, if you are a U.S. holder and you sell or otherwise dispose of your preferred shares or ADSs, you will recognize capital gain or loss for United States federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your preferred shares or ADSs. Capital gain of a noncorporate U.S. holder that is recognized in taxable years beginning before January 1, 2011 is generally taxed at a maximum rate of 15% where the holder has a holding period greater than one year. The deductibility of capital losses is subject to limitations. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

PFIC Rules

The Bank believes that the Bank's preferred shares and ADSs should not be treated as stock of a PFIC for United States federal income tax purposes, but this conclusion is a factual determination that is made annually and thus may be subject to change.

In general, if you are a U.S. holder, the Bank will be a PFIC with respect to you if for any taxable year in which you held the Bank's preferred shares or ADSs:

- at least 75% of the Bank's gross income for the taxable year is passive income; or
- at least 50% of the value, determined on the basis of a quarterly average, of the Bank's assets is attributable to assets that produce or are held for the production of passive income.

Passive income generally includes dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation's income.

If the Bank is treated as a PFIC, and you are a U.S. holder that did not make a mark-to-market election, as described below, you will be subject to special rules with respect to:

- any gain you realize on the sale or other disposition of your preferred shares or ADSs; and
- any excess distribution that the Bank makes to you (generally, any distributions to you during a single taxable year that are greater than 125% of the average annual distributions received by you in respect of the preferred shares or ADSs during the three preceding taxable years or, if shorter, your holding period for the preferred shares or ADSs).

Under these rules:

- the gain or excess distribution will be allocated ratably over your holding period for the preferred shares or ADSs;
- the amount allocated to the taxable year in which you realized the gain or excess distribution will be taxed as ordinary income;
- the amount allocated to each prior year, with certain exceptions, will be taxed at the highest tax rate in effect for that year; and
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year.

Special rules apply for calculating the amount of the foreign tax credit with respect to excess distributions by a PFIC.

If you own preferred shares or ADSs in a PFIC that are treated as marketable stock, you may make a mark-to-market election. If you make this election, you will not be subject to the PFIC rules described above. Instead, in general, you will include as ordinary income each year the excess, if any, of the fair market value of your preferred shares or ADSs at the end of the taxable year over your adjusted basis in your preferred shares or ADSs. These amounts of ordinary income will not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains. You will also be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted basis of your preferred shares or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). Your basis in the preferred shares or ADSs will be adjusted to reflect any such income or loss amounts.

In addition, notwithstanding any election you make with regard to the preferred shares or ADSs, dividends that you receive from us will not constitute qualified dividend income to you if the Bank is a PFIC either in the taxable year of the distribution or the preceding taxable year. Moreover, your preferred shares or ADSs will be treated as stock in a PFIC if the Bank was a PFIC at any time during your holding period in your preferred shares or ADSs, even if the Bank is not currently a PFIC. For purposes of this rule, if you make a mark-to-market election with respect to your preferred shares or ADSs, you will be treated as having a new holding period in your preferred shares or ADSs beginning on the first day of the first taxable year beginning after the last taxable year for which the mark-to-market election applies. Dividends that you receive that do not constitute qualified dividend income are not eligible for taxation at the 15% maximum rate applicable to qualified dividend income. Instead, you must include the gross amount of any such dividend paid by us out of the Bank's accumulated earnings and profits (as determined for United States federal income tax purposes) in your gross income, and it will be subject to tax at rates applicable to ordinary income.

If you own preferred shares or ADSs during any year that the Bank is a PFIC with respect to you, you must file Internal Revenue Service Form 8621.

F. DIVIDENDS AND PAYING AGENTS

Not applicable.

G. STATEMENT BY EXPERTS

Not applicable.

H. DOCUMENTS ON DISPLAY

Bancolombia files reports and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. You may read and copy any document that Bancolombia files at the SEC's public reference room at 100 F Street N.E., Washington, DC 20549. Some of the Bank's SEC filings are also available to the public from the SEC's website at http://www.sec.gov.

I. SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Introduction

The following section describes the market risks to which Bancolombia is exposed and the tools and methodology used to measure these risks as of December 31, 2009. Bancolombia faces market risk as a consequence of its lending, trading and investments businesses. Market risk represents the potential loss due to adverse changes in market prices of financial instruments as a result of movements in interest rates, foreign exchange rates and equity prices and other risk factors, such as sovereign risk.

Bancolombia's risk management strategy, called the Integrated Risk Management Strategy, is based on principles set by international bodies and by Colombian rules and regulations, and is guided by Bancolombia's corporate strategy. The main objective of the Integrated Risk Management Strategy is to identify, measure, coordinate, monitor, report and propose policies for market and liquidity risks of the Bank, which in turn serve to facilitate the efficient administration of Bancolombia's assets and liabilities. Bancolombia's board of directors and senior management have formalized the policies, procedures, strategies and rules of action for market risk administration in its "Market Risk Manual". This manual defines the roles and responsibilities within each subdivision of the Bank and their interaction to ensure adequate market risk administration.

The Bank's Market Risks Management Office is responsible for: (a) identifying, measuring, monitoring, analyzing and controlling the market risk inherent in the Bank's businesses, (b) analyzing the Bank's exposure under stress scenarios and confirming compliance with Bancolombia's risk management policies, (c) designing the methodologies for valuation of the market value of certain securities and financial instruments, (d) reporting to senior management and the board of directors any violation of Bancolombia's risk management policies, (e) reporting to the senior management on a daily basis the levels of market risk associated with the trading instruments recorded in its treasury book (the "Treasury Book"), and (f) proposing policies to the board of directors and to senior management that ensure the maintenance of predetermined risk levels. The Bank has also implemented an approval process for new products across each of its subdivisions. This process is designed to ensure that every subdivision is prepared to incorporate the new product into their procedures, that every risk is considered before the product is incorporated and that approval is obtained from the board of directors before the new product can be sold.

The Bank's assets include both trading and non-trading instruments. Trading instruments are recorded in the Treasury Book and include fixed income securities, foreign exchange (FX) futures, bonds futures and over-the-counter plain vanilla derivatives. Trading in derivatives includes forward contracts in foreign currency operations, plain vanilla options on U.S. dollar/COP currency, foreign exchange swaps and interest rate swaps. Non-trading instruments are recorded in the Bank's banking book (the "Banking Book"), which includes primarily loans, time deposits, checking accounts and savings accounts.

The Bank uses a value at risk ("VaR") calculation to limit its exposure to the market risk of its Treasury Book. The board of directors is responsible for establishing the maximum VaR based on its assessment of the appropriate level of risk for Bancolombia. The Investment Committee is responsible for establishing the maximum VaR by type of investment (e.g., fixed income in public debt) and by type of risk (e.g., currency risk). These limits are supervised on a daily basis by the Market Risk Management Office.

For managing the interest rate risk from banking activities, the Bank analyzes the interest rate mismatches between its interest earning assets and its interest bearing liabilities. In addition, the foreign currency exchange rate exposures arising from the Banking Book are provided to the Treasury Division where these positions are aggregated and managed.

Trading Instruments Market Risk Measurement

The Bank currently measures the Trading Book exposure to market risk (including over-the-counter derivatives positions) as well as the currency risk exposure of the Banking Book, which is provided to the Treasury Division, using a VaR methodology established in accordance with Chapter XXI of the Basic Accounting Circular, as amended by External Circular 051 of 2007, each issued by the Superintendency of Finance.

The VaR methodology established by Circular 051 of 2007 is based on the model recommended by the Amendment to the Capital Accord to Incorporate Market Risks of Basel Committee of 2005, which focuses on the Treasury Book and excludes investments classified as "held to maturity" and any other investment that comprises the Banking Book, such as non-trading positions. In addition, the methodology eliminates the aggregation of risks by the use of correlations and in the alternative, provides for a new allocation system based on defined zones and bands. The VaR is estimated with a 99% confidence level and ten day time horizon, adjusted by a multiplicative factor equal to three.

The total market risk for the Bank is calculated by the arithmetical aggregation of the VaR calculated for each subsidiary. The aggregated VaR is reflected in the Bank's Capital Adequacy (Solvency) ratio, in accordance with Decree 1720 of 2001.

For purposes of VaR calculations, a risk exposure category is any market variable that is able to influence potential changes in the portfolio value. Taking into account a given risk exposure, the VaR model assesses the maximum loss not exceeded at a specified confidence level over a given period of time. The fluctuations in the portfolio's VaR depend on volatility, modified duration and positions changes relating to the different instruments that are subject to market risk.

The relevant risk exposure categories for which VaR is computed by Bancolombia according to the External Circular 051 of 2007 are: (i) interest rate risks relating to local currency, foreign currency and UVR; (ii) currency risk; (iii) stock price risk; and (iv) fund risk.

Interest Rate Risk: The interest rate risk is the probability of loss of value of a position due to fluctuations in market interest rates. Bancolombia calculates the interest rate risk for positions in local currency, foreign currency and UVR separately, in accordance with Chapter XXI of the Basic Accounting Circular issued by the Superintendency of Finance. The calculation of the interest rate risk begins by determining the net position in each instrument and estimating its sensitivity by multiplying its net present value ("NPV") by its "modified duration" and by the interest rate's estimated fluctuation (as defined by the Superintendency of Finance). The interest rate's fluctuations are established by the Superintendency of Finance according to historical market performance, as shown in the following table:

Interest Risk – Sensitivity by Bands and Zones

		Modified Duration		Interest rate Fluctuations (basis points)		
Zone	Band	Low	High	Pesos	UVR	US$
Zone 1	1	0	0.08	221	221	100
	2	0.08	0.25	221	221	100
	3	0.25	0.5	221	221	100
	4	0.5	1	221	221	100
Zone 2	5	1	1.9	206	208	90
	6	1.9	2.8	190	195	80
	7	2.8	3.6	175	182	75
Zone 3	8	3.6	4.3	159	168	75
	9	4.3	5.7	144	155	70
	10	5.7	7.3	128	142	65
	11	7.3	9.3	118	142	60
	12	9.3	10.6	118	142	60
	13	10.6	12	118	142	60
	14	12	20	118	142	60
	15	20	-	118	142	60

Once the sensitivity factor is calculated for each position, the modified duration is then used to classify each position within a corresponding band (given by the Superintendency of Finance). A net sensitivity is then calculated for each band, by determining the difference between the sum of all short-positions and the sum of all long-positions. Then a net position is calculated for each zone (which consists of a series of bands) determined by the Superintendency of

Finance. The final step is to make adjustments within each band, across bands and within each zone, which result is a number that is the interest rate risk VaR. Each adjustment is performed following the guidelines established by the Superintendency of Finance.

The Bank's exposure to interest risk primarily arises from investments in Colombian government's treasury bonds (TES) and securities issued by colombian government.

The interest rate risk VaR increased from COP 134 billion as of December 31, 2008 to COP 174 billion as of December 31, 2009. This increase was due to the Bank's larger bond portfolio (primarily composed of Colombian government treasury bonds (TES)). During 2009 the average interest rate risk VaR was COP 177 billion, the maximum value was COP 210 billion, and the minimum value was COP 158 billion.

Currency, Stock Price and Fund Risk: The VaR model uses a sensitivity factor to calculate the probability of loss due to fluctuations in the price of stocks, funds and currencies in which the Bank maintains a position. As previously indicated, the methodology used in this Annual Report to measure such risk consists of computing VaR, which is derived by multiplying the position by the maximum probable variation in the price of such positions (" Δp"). The Δp is determined by the Superintendency of Finance, as shown in the following table:

Sensitivity Factor for Currency Risks, Fund Risks and Equity Risks

US$	4.4%
Euro	6.0%
Other currencies	8.0%
Funds	14.7%
Stock Price	14.7%

The currency risk VaR decreased from COP 27 billion as of December 31, 2008 to COP 14 billion as of December 31, 2009. This decrease was due to a reduction in the position exposed to currency risk in the Bank, due to reduction in the US$/COP forward net position. During 2009 the average currency risk VaR was COP 15 billion, the maximum value was COP 33 billion, and the minimum value was COP 4 billion.

The equity risk VaR risk increased from COP 39 billion in 2008 to COP 81 billion in 2009. The higher VaR is explained by the increase in the Bank's available for sale equity securities portfolio which reached COP 249 billion as of the end of 2009, coming from COP 172 billion in 2008. For further detail relating to the available for sale equity securities portfolio please see "Notes to Consolidated Financial Statements (5) Investment Securities." During 2009 the average equity risk VaR was COP 58 billion, the maximum value was COP 81 billion, and the minimum value was COP 51 billion.

The Fund risk which arises from investment in mutual funds and similars decreased from COP 48 billion in 2008 to COP 20 billion in 2009, due to a reduction in these investments. During 2009 the average fund risk VaR was COP 11 billion, the maximum value was COP 37 billion, and the minimum value was COP 4 billion.

Total Market Risk VaR

The total market risk VaR is calculated as the algebraic sum of the interest rate risk, the currency risk, the stock price risk and the fund risk.

As of December 31, 2009, the Total Market Risk VaR amounted to COP 290 billion which represents an increase from COP 248 billion in 2008, due to the increase in interest rate risk and equity risk VaR.

Assumptions and Limitations of VaR Models: Although VaR models represent a recognized tool for risk management, they have inherent limitations, including reliance on historical data that may not be indicative of future market conditions or trading patterns. Accordingly, VaR models should not be viewed as predictive of future results.

The Bank may incur in losses that could be materially in excess of the amounts indicated by the models on a particular trading day or over a period of time, and there have been instances when results have fallen outside the values generated by the Bank's VaR models. A VaR model does not calculate the greatest possible loss. The results of these models and analysis thereof are subject to the reasonable judgment of the Bank's risk management personnel.

The table below provides information about Bancolombia's consolidated VaR for trading instruments by the end of 2009 and 2008.

(COP million)	2009	2008
Interest Rate Risk VaR	173,964	134,077
Currency Risk VaR	14,277	27,156
Equity Risk VaR	81,005	38,924
Fund Risk VaR	20,376	47,904
Total VaR	289,621	248,062

During 2009 the average Total VaR was COP 261 billion, the maximum value was COP 290 billion, and the minimum value was COP 234 billion.

Non-Trading Instruments Market Risk Measurement

The Banking Book's relevant risk exposure is interest rate risk, which is the probability of unexpected changes in net interest income as a result of a change in market interest rates. Changes in interest rates affect Bancolombia's earnings as a result of timing differences on the repricing of the assets and liabilities. The Bank manages the interest rate risk arising from banking activities in non trading instruments by analyzing the interest rate mismatches between its interest earning assets and its interest bearing liabilities. The foreign currency exchange rate exposures arising from the Banking Book are provided to the Treasury Division where these positions are aggregated and managed.

The Bank has performed a sensitivity analysis of market risk sensitive instruments based on hypothetical changes in the interest rates. The Bank has estimated the impact that a change in interest rates would have on the net present value of each position in the Banking Book, using a modified duration model and assuming positive parallel shifts of 50 and 100 basis points.

The following tables provide information about Bancolombia's interest rate sensitivity for the balance sheet items comprising the Banking Book. These tables show the following information for each group of assets and liabilities:

FAIR VALUE:Sum of the original net present value.

+ 50 bps: Net present value change with an increase of 50 bps.

+ 100 bps: Net present value change with an increase of 100 bps.

Interest Rate Risk (COP million)
2009

	FAIR VALUE	+50bps	+100bps
Assets			
Held To Maturity Securities	3,077,121	(26,574)	(53,028)
Loans	43,359,552	(177,344)	(353,880)
Total interest rate sensitive assets	46,436,673	(203,918)	(406,908)

	FAIR VALUE	+50bps	+100bps
Liabilities			

Checking Accounts - Saving Deposits	22,954,585	(73,822)	(147,111)
Time Deposits	18,255,567	(37,470)	(74,769)

Liabilities	FAIR VALUE	+50bps	+100bps
Interbank borrowings	4,434,489	(4,555)	(9,090)
Long-term debt	4,332,866	(39,283)	(78,388)
Convertible Bonds	40,270	(526)	(1,049)
Total interest rate sensitive liabilities	50,017,778	(155,656)	(310,407)
Total net change		(48,262)	(96,501)

A rise in interest rates decreases the fair value of the assets and liabilities of the Bank, therefore, affects negatively the Bank's market value on the active side and positively on the liabilities side.

Interest Rate Risk (COP million)
2008

	FAIR VALUE	+50bps	+100bps
Assets			
Held To Maturity Securities	2,403,824	(24,437)	(48,763)
Loans	46,108,840	(157,444)	(314,172)
Total interest rate sensitive assets	48,512,803	(181,881)	(362,934)

Liabilities	FAIR VALUE	+50bps	+100bps
Demand Deposits	20,799,643	(67,807)	(135,306)
Time Deposits	18,912,528	(34,385)	(68,615)
Interbank borrowings	6,024,932	(8,181)	(16,324)
Long-term debt	3,587,526	(30,472)	(60,806)
Convertible Bonds	5,877	(15)	(29)
Total interest rate sensitive liabilities	49,330,505	(140,860)	(281,079)
Total net change		(41,021)	(81,855)

A rise in interest rates decreases the fair value of the assets and liabilities of the Bank, therefore, affects negatively the Bank's market value on the active side and positively on the liabilities side.

Bancolombia's largest assets are loans, which represent 93.4% of the total NPV. The market value's change in assets with a 50 basis points parallel shift of the yield curve has increased from COP 182 billion in 2008 to COP 204 billion in 2009 due to an increase in the duration of the Mortgage Loans Portfolio.

On the liabilities side, Bancolombia's largest interest rate sensitive liabilities are demand deposits and time deposits which represent 45.89% and 36.50%, respectively, of the total NPV. The market value's change in liabilities with a 50 basis points parallel shift of the yield curve increased from COP 141 billion in 2008, COP 156 billion in 2009, reflecting the increase in the long term debt during 2009.

As of December 31, 2009, the net change in the NPV for the market risk sensitive instruments, entered into for other than trading purposes with positive parallel shifts of 50 and 100 basis points, were COP (48) billion and COP (96) billion respectively. The increase in the interest rate risk in 2009 versus. 2008 reflects the higher duration of the loan portfolio within a lower interest rates environment.

Assumptions and Limitations of Sensitivity Analysis: Sensitivity analysis is based on the following assumptions, and should not be relied on as indicative of future results: When computing the NPV of the market risk sensitive instruments and its modified duration we have relied on two key assumptions: (a) a uniform change of interest rates of assets and liabilities and of rates for different maturities and (b) modified duration of variable rate assets and liabilities is taken to be the time remaining until the next interest reset date.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

D. AMERICAN DEPOSITARY SHARES

D.3. FEES AND CHARGES APPLICABLE TO HOLDERS OF AMERICAN DEPOSITARY RECEIPTS

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

The following are the fees charged by the depositary:

Persons depositing or withdrawing shares must pay:	For:
\$5.00 per 100 ADSs (or portion of 100 ADSs)	• Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property • Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
Registration or transfer fees	• Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
Expenses of the depositary	• Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement) • Converting foreign currency to U.S. dollars
Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	• As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	• As necessary

D.4.i. FEES INCURRED IN PAST ANNUAL PERIOD

From January 1, 2009, to December 31, 2009, the depositary reimbursed Bancolombia US\$ 300,000 for expenses related to the administration and maintenance of the ADR facility, investor relations activities, annual listing fees and any other ADR program-related expenses incurred by Bancolombia directly associated with the company's preferred share ADR program. In addition, Fiduciaria Bancolombia, a subsidiary of the Bank, received US\$ 194,103.97 from the Bank of New York Mellon during the same period in connection to its role as local custodian of the depositary bank.

D.4.ii. FEES TO BE PAID IN THE FUTURE

The Bank of New York Mellon, as depositary, has agreed to reimburse the Bank for expenses incured that are related to establishment and maintenance expenses of the ADS program. The depositary has agreed to reimburse the Company for its continuing annual stock exchange listing fees. The depositary has also agreed to pay the standard out-of-pocket maintenance costs for the ADRs, which consist of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. federal tax information, mailing required tax forms, stationery, postage, facsimile, and telephone calls. It has also agreed to reimburse the Company annually for certain investor relationship programs or special investor relations promotional activities. In certain instances, the depositary has agreed to provide additional payments to the Company based on any applicable performance indicators relating to the ADR facility. There are limits on the amount of expenses for which the depositary will reimburse the Company, but the amount of reimbursement available to the Company is not necessarily tied to the amount of fees the depositary collects from investors.

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

There has not been any default in the payment of dividends, principal, interest, a sinking or purchase fund installment in Bancolombia operation or any of its subsidiaries.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

The Bank carried out an evaluation under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. As a result, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports the Bank files and submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and regulations of the SEC and to provide reasonable assurance that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding disclosure.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures.

Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Bank's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

The Bank's internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Bank;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorizations of the Bank's management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Bank's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of internal control over financial reporting as of December 31, 2009 based on criteria established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. On this assessment, management concluded that the Bank's internal control over financial reporting was effective as of December 31, 2009.

The effectiveness of the Bank's internal control over financial reporting as of December 31, 2009 has been audited by PricewaterhouseCoopers LTDA. an independent registered public accounting firm, which report is included on page F-4 of this annual report.

Change in Internal Control over Financial Reporting

No change in the Bank's internal control over financial reporting occurred during the period covered by this Annual Report that has materially affected, or is reasonably likely to materially affect the Bank's internal control over financial reporting.

ITEM 16. RESERVED

A. AUDIT COMMITTEE FINANCIAL EXPERT

The board of directors of Bancolombia appointed Mr. Alejandro Gaviria Uribe as the "audit committee financial expert" according to the requirements of Item 16A. Mr. Gaviria Uribe has served as the Bank's audit committee financial expert since May 22, 2007, he does not own any shares of Bancolombia and there is no business relationship between him and the Bank, except for standard personal banking services. Further, there is no fee arrangement between Mr. Gaviria Uribe and the Bank, except in connection with his capacity as a member of the Bank's board of directors and now as a member of the audit committee. Mr. Gaviria Uribe is considered an independent director under Colombian law and the Bank's Corporate Governance Code, as well as under NYSE's director independence standards. For more information regarding our audit committee, see "Item 6. Directors, Senior Management and Employees—Board Practices—Audit Committee."

B. CORPORATE GOVERNANCE AND CODE OF ETHICS

Bancolombia has adopted a Code of Ethics and a Corporate Governance Code, both of which apply to all employees, officers and directors. English translations of the Ethics Code and the Corporate Governance Code are available at Bancolombia's website at www.grupobancolombia.com.co. The Spanish versions of these codes will prevail for all legal purposes.

A phone line called "línea ética" is available for anonymous reporting of any evidence of improper conduct.

Under the NYSE's Corporate Governance Standards, Bancolombia, as a listed foreign private issuer, must disclose any significant ways in which its corporate governance practices differ from those followed by U.S. companies under NYSE listing standards. See "Item 16. Reserved – 16.G Corporate Governance."

C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The aggregate fees billed under the caption audit fees for professional services rendered to Bancolombia for the audit of its financial statements and for services that are normally provided to Bancolombia, in connection with statutory or regulatory filings or engagements totaled COP 8,314 million and COP 5,946 million audited by PriceWaterhouseCoopers LTDA. for the years 2009 and 2008, respectively.

Additionally, other audit-related fees totaled COP 724 million and COP 203 million audited by PriceWaterhouseCoopers LTDA. for the years 2009 and 2008, respectively. Bancolombia had no tax fees or other fees for the years 2009 and 2008 .

The Bank's audit committee charter includes the following pre-approval policies and procedures, which are included in the audit committee's charters:

The audit committee will approve each year the work plan of the external auditors, which will include all services that according to the applicable law may be rendered by the external auditors.

For instances in which additional services are required to be provided by the external auditors, such services must be previously approved by the audit committee. Whenever this approval is not obtained at a meeting held by the audit committee, the approval will be obtained through the Vice President of internal audit, who will be responsible for soliciting the consent from each of the audit committee members. The approval will be obtained with the favorable vote of the majority of its members.

Every request for approval of additional services must be adequately sustained, including complete and effective information regarding the characteristics of the service that will be provided by the external auditors. In all cases, the budget of the external auditors must be approved by the general stockholders ' meeting.

D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

None.

E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Colombian law prohibits the repurchase of shares issued by entities supervised by the Superintendency of Finance. Therefore, neither Bancolombia nor any affiliated purchaser repurchased any shares during fiscal year 2009.

F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable

G. CORPORATE GOVERNANCE

Bancolombia, as a listed company that qualifies as a foreign private issuer under the NYSE listing standards in accordance with the NYSE corporate governance rules, is permitted to follow home-country practice in some circumstances in lieu of the provisions of the corporate governance rules contained in Section 303A of the NYSE Listed Company Manual that are applicable to U.S. companies. The Bank follows corporate governance practices applicable to Colombian companies and those described in the Bank's Corporate Governance Code (the "Corporate Governance Code") which in turn follows Colombian corporate governance rules. An English translation of the Corporate Governance Code is available at Bancolombia's website at www.grupobancolombia.com.co. The Spanish version will prevail for all legal purposes.

In Colombia, a series of laws and regulations set forth corporate governance requirements. External Circular 056 of 2007 issued by the Superintendency of Finance, contains the corporate governance standards to be followed by companies issuing securities that may be purchased by Colombian pension funds, and determines that entities under supervision of the Superintendency of Finance, when taking investment decisions, must take into account the recommendations established by the "Country Code" and the corporate governance standards followed by the entities who are beneficiaries of the investment. Additionally, External Circular 055 of 2007 establishes that entities under the supervision of the Superintendency of Finance must adopt mechanisms for the periodic disclosure of their corporate governance standards.

Additionally, Law 964 of 2005 established mandatory corporate governance requirements for all issuers whose securities are publicly traded in the Colombian market, and Decree 3139 of 2006 regulates disclosure and market information for the Colombian securities market SIMEV (Sistema Integral de Informacíón del Mercado de Valores). Bancolombia's corporate governance standards comply with these legal requirements and follow regional recommendations, including the OECD's White Paper on Corporate Governance for Latin America and the Andean Development Corporation's (CAF) Corporate Governance Code.

The following is a summary of the significant differences between the corporate governance practices followed by Bancolombia and those applicable to domestic issuers under the NYSE listing standards:

- Independence of Directors. Under NYSE corporate governance rules, a majority of a U.S. company's board of directors must be composed of independent directors. Law 964 of 2005 requires that at least 25% of the members of the Bank's board of directors are independent directors, and Decree 3923 of 2006 regulates their election. Additionally, Colombian law mandates that all directors exercise independent judgment under all circumstances. Bancolombia's Corporate Governance Code includes a provision stating that directors shall exercise independent judgment and requires that Bancolombia's management recommends to its stockholders lists of director nominees of which at least 25% are independent directors. For the independence test applicable to directors of Bancolombia see "Item 10. Additional Information. – B. Memorandum and Articles of Association – Board of Directors".

- Non-Executive Director Meetings. Pursuant to the NYSE listing standards, non-executive directors of U.S. listed companies must meet on a regular basis without management present. The non-executive directors of Bancolombia do not meet formally without management present. There is no prohibition under Colombian regulations for officers to be members of the board of directors, however it is customary for Colombian companies to maintain separation between the directors and management. Bancolombia's board of directors does not include any management members, however the CEO attends the monthly meetings of the Bank's board of directors (but is not allowed to vote) and committees may have officers or employees as permanent members to guarantee an adequate flow of information between employees, management and directors. In accordance with the Law 964 of 2005 and the Bank's by-laws, no executive officer can be elected as chairman of the Bank's board of directors.

- Committees of the Board of Directors. Under NYSE listing standards, all U.S. companies listed on the NYSE must have an audit committee, a compensation committee, and a nominating/corporate governance committee and all members of such committees must be independent. In each case, the independence of directors must be established pursuant to highly detailed rules promulgated by the NYSE and, in the case of the audit committee, the NYSE and the SEC. The Bank's board of directors has a " Board Issues Committee ", a " Designation, Compensation and Development Committee", a " Corporate Governance Committee " and an " Audit Committee", each of which is composed of both directors and officers, except the audit committee which is composed of three independent directors but no officers. For a description of these committees see "Item 6. Directors, Senior Management and Employees – C. Board Practices".

- Stockholder Approval of Equity Compensation Plans. Under NYSE listing standards, stockholders of U.S. companies must be given the opportunity to vote on all equity compensation plans and to approve material revisions to those plans, with limited exceptions set forth in the NYSE rules. Under Colombian laws applicable to Bancolombia, such approval from stockholders is also required.

- Stockholder Approval of Dividends. While NYSE corporate governance standards do not require listed companies to have stockholders approve or declare dividends, in accordance with the Colombian Code of Commerce, annual dividends must be approved by Bancolombia's stockholders.

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PART III

FINANCIAL STATEMENTS

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

Reference is made to pages F - 1 through F – 121.

ITEM 19. EXHIBITS

The following exhibits are filed as part of this Annual Report.

1. (1)	English translation of corporate by-laws (estatutos sociales) of the registrant, as amended on March 1, 2007.
2 (3)	The Deposit Agreement entered into between Bancolombia and The Bank of New York, as amended on January 14, 2008.
4.1. (4)	English summary of the Stock Purchase Agreement entered into among Bancolombia S.A., the other stockholders named therein and Stratton Spain S.L. on June 6, 2008.
4.1.	English summary of the transfer of assets, liabilities and contracts of Sufinanciamiento S.A. Compañia de Financiamiento to Bancolombia S.A. on March 23, 2010.
4.1.	English summary of the Share Purchase Agreement among Leasing Bancolombia, Banca de Inversion Bancolombia, Inversiones CFNS, Fundacion Bancolombia y Factoring Bancolombia, Mitsubishi International Corporation and Mitsubishi Corporation in March 2010.
7	Selected Ratios' Calculation.
8.1.	List of Subsidiaries.
11 (2)	English translation of the Ethics Code of the registrant, as amended on June 23, 2008.
12.1	CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 11, 2010.
12.2	CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 11, 2010.
13.1	CEO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated June 11, 2010.
13.2	CFO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated June 11, 2010.
15.(a) (2)	English translation of Corporate Governance Code (Código de Buen Gobierno) of the registrant, as amended on June 23, 2008.

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(1) Incorporated by reference to the Bank's Annual Report on Form 20-F for the year ended December 31, 2006 filed on May 10, 2007.
(2) Incorporated by reference to the Bank's Annual Report on Form 20-F for the year ended December 31, 2007 filed on July 8, 2008.
(3) Incorporated by reference to the Registration Statement in Form F-6, filed by Bancolombia on January 14, 2008.
(4)Incorporated by reference to the Bank's Annual Report on Form 20-F for the year ended December 31, 2008 filed on June 30, 2009.

SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

Dated: June 11, 2010

BANCOLOMBIA S.A.

By: /s/ JAIME ALBERTO VELÁSQUEZ BOTERO
Name: Jaime Alberto Velásquez Botero.
Title: Vice President, Finance.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Board of Directors and Stockholders of Bancolombia S. A.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Bancolombia S. A. and its subsidiaries (the "Bank") at December 31, 2009 and 2008, and the consolidated results of their operations and cash flows for the years then ended in conformity with accounting principles generally accepted in Colombia and the special regulations of the Superintendency of Finance, collectively "Colombian GAAP" . Also in our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control — Integrated Frameworkissued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Bank's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in "Management's Report on Internal Control Over Financial Reporting" appearing under Item 15. Our responsibility is to express opinions on these financial statements and on the Bank's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and auditing standards generally accepted in Colombia. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audits of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 2 (h), (i) and (j) to the consolidated financial statements, the Bank changed the manner in which it values the swaps and equity securities and recognizes in the records the residual rights originated in the securitization of mortgage loans due to the adoption in 2009 of the new regulations of the Superintendency of Finance.

To The Board of Directors and Stockholders of Bancolombia S. A.
June 11, 2010

Accounting principles generally accepted in Colombia and the special regulations of the Superintendency of Finance, collectively “Colombian GAAP”, vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 31 to the consolidated financial statements.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LTDA
Medellin, Colombia
June 11, 2010

Deloitte & Touche Ltda.
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A.A 404
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of BANCOLOMBIA S.A.:

We have audited the consolidated balance sheet (not presented separately herein) of Bancolombia S.A. and subsidiaries (the "Bank") as of December 31, 2007, and the related consolidated statement of operations, stockholders' equity and cash flows for the year ended December 31, 2007. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We did not audit the consolidated financial statements of Banagricola, S.A. (a consolidated subsidiary acquired by the Bank on May 16, 2007) and its subsidiaries, which statements reflect income before taxes constituting 15.30% of the related consolidated total for the year ended December 31, 2007. Those statements, prepared in accordance with the accounting standards prescribed by the Superintendence of Financial System of El Salvador, were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Banagricola, S.A. and its subsidiaries on such basis of accounting, is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements (including the Bank's conversion of the amounts in the financial statements of Banagricola S.A. and its subsidiaries, prepared in conformity with accounting standards prescribed by the Superintendence of Financial System of El Salvador, to amounts in conformity with accounting principles generally accepted in Colombia and the regulations of the Colombian Superintendency of Finance (collectively "Colombian GAAP") and accounting principles generally accepted in the United States of America ("U.S. GAAP")). An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, such consolidated financial statements present fairly, in all material respects, the results of their operations and their cash flows for the year ended December 31, 2007 in conformity with Colombian GAAP.

Colombian GAAP vary in certain significant respects from U.S. GAAP. Information relating to the nature and effect of such differences is presented in Note 31 to the consolidated financial statements.

As discussed in Notes 2(d), 2(ac), 31(p), 31(q) and 31(x) to the consolidated financial statements, the accompanying 2007 consolidated statements of operations and cash flows have been retrospectively adjusted for the changes in accounting practices relating to presentation of deposits within its consolidated statements of cash flows and to certain transactions in its statements of operations, presentation of noncontrolling interests under U.S. GAAP, operations discontinued in 2008 and 2009, and disclosures in the composition of reportable segments, respectively.

Deloitte & Touche Ltda
Medellin, Colombia

July 7, 2008 (June 25, 2009 for the effects of certain restatements for the correction of errors discussed in Note 31(y); June 26, 2009 as to the effects of the retrospective adjustments discussed in Notes 2(d), 2(ac), 31(q) and 31(x) and May 22, 2010 as to the effects of the retrospective adjustments discussed in Notes 31(p) and 31(q) to the consolidated financial statements)

BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2009 and 2008

(Stated in millions of Colombian pesos and thousands of U.S. Dollars)

	Notes	2009 (1) (Unaudited) U.S. Dollar	2009	2008
Assets				
Cash and cash equivalents:				
Cash and due from banks	4	US$ 2,437,871	COP 4,983,569	COP 3,870,927
Overnight funds		1,168,552	2,388,790	1,748,648
Total cash and cash equivalents		3,606,423	7,372,359	5,619,575
Investment securities:	5			
Debt securities:		4,126,857	8,436,244	6,840,596
Trading securities		1,486,046	3,037,819	2,385,564
Available for sale		1,064,212	2,175,494	2,000,588
Held to maturity		1,576,599	3,222,931	2,454,444
Equity securities:		283,830	580,214	503,861
Trading securities		161,841	330,840	331,398
Available for sale		121,989	249,374	172,463
Market value allowance		(49,674)	(101,545)	(66,181)
Total investment securities		4,361,013	8,914,913	7,278,276
Loans and financial leases:	6			
Commercial loans		12,724,553	26,011,915	28,068,731
Consumer loans		3,369,785	6,888,615	7,532,649
Microcredit loans		98,824	202,019	143,122
Mortgage loans		1,697,179	3,469,424	3,391,326
Financial leases		2,675,825	5,470,001	5,506,742
Allowance for loans and financial leases losses	7	(1,189,527)	(2,431,667)	(2,134,360)
Total loans and financial leases, net		19,376,639	39,610,307	42,508,210
Accrued interest receivable on loans and financial leases:				
Accrued interest receivable on loans and financial leases		188,111	384,542	559,981
Allowance for accrued interest losses	7	(22,472)	(45,937)	(54,323)
Total interest accrued, net		165,639	338,605	505,658
Customers' acceptances and derivatives	8	100,462	205,367	272,458
Accounts receivable, net	9	394,713	806,885	828,817
Property, plant and equipment, net	10	485,288	992,041	1,171,117

Operating leases, net	11		412,407		843,054		726,262
Foreclosed assets, net	15		39,461		80,668		24,653
Prepaid expenses and deferred charges, net	12		90,895		185,811		132,881
Goodwill	14		418,605		855,724		1,008,639
Other assets	13		451,156		922,265		1,093,850
Reappraisal of assets	16		360,217		736,366		612,683
Total assets		US$	30,262,918	COP	61,864,365	COP	61,783,079
Memorandum accounts	25	US$	148,959,460	COP	304,507,396	COP	219,171,533

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BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2009 and 2008

(Stated in millions of Colombian pesos and thousands of U.S. Dollars)

	Notes		2009 (1) (Unaudited) U.S. Dollar		2009		2008
Liabilities and Stockholders' Equity							
Deposits							
Non-interest bearing:		US$	3,085,651	COP	6,307,780	COP	5,723,460
Checking accounts			2,865,953		5,858,667		5,289,918
Other			219,698		449,113		433,542
Interest bearing:			17,533,032		35,841,550		34,660,940
Checking accounts			1,157,541		2,366,281		2,011,132
Time deposits			8,967,429		18,331,488		18,652,738
Savings deposits			7,408,062		15,143,781		13,997,070
Total deposits			20,618,683		42,149,330		40,384,400
Overnight funds			656,580		1,342,201		2,564,208
Bank acceptances outstanding			23,289		47,609		56,935
Interbank borrowings	17		563,986		1,152,918		2,077,291
Borrowings from development and other domestic banks	18		1,411,892		2,886,232		3,870,634
Accounts payable			810,160		1,656,154		1,688,402
Accrued interest payable			201,443		411,796		400,902
Other liabilities	19		325,743		665,893		589,501
Long-term debt	20		2,041,660		4,173,622		3,643,486
Accrued expenses	21		117,110		239,400		255,183
Minority interest			52,040		106,381		135,292
Total liabilities			26,822,586		54,831,536		55,666,234
Stockholders' equity	22, 24						
Subscribed and paid in capital:			225,358		460,684		460,684
Nonvoting preference shares			74,073		151,422		151,422
Common shares			151,285		309,262		309,262
Retained earnings:			2,912,688		5,954,205		5,265,664
Appropriated	23		2,297,860		4,697,355		3,975,021
Unappropriated			614,828		1,256,850		1,290,643
Reappraisal of assets	16		284,889		582,377		448,511
Gross unrealized net gain (loss) on investments			17,397		35,563		(58,014)
Total stockholders' equity			3,440,332		7,032,829		6,116,845

Total liabilities and stockholders' equity		US$	30,262,918	COP	61,864,365	COP	61,783,079
Memorandum accounts	25	US$	148,959,460	COP	304,507,396	COP	219,171,533

The accompanying notes, numbered 1 to 31, form an integral part of these Consolidated Financial Statements.

(1) See note 2 (c).

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BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended December 31, 2009, 2008 and 2007

(Stated in millions of Colombian pesos and thousands of U.S. Dollars, except per share data)

	Note	2009 (1) (Unaudited) U.S. Dollar	2009	2008	2007
Interest income:					
Loans		US$ 2,397,659	COP 4,901,366	COP 4,999,520	COP 3,707,751
Investment securities		356,397	728,558	431,589	416,644
Overnight funds		36,625	74,869	106,208	115,324
Financial leases		353,632	722,905	776,426	570,689
Total interest income		3,144,313	6,427,698	6,313,743	4,810,408
Interest expense:					
Checking accounts		21,138	43,211	39,257	39,076
Time deposits		673,391	1,376,567	1,256,742	816,688
Saving deposits		220,555	450,865	589,718	461,437
Total interest expense on deposits		915,084	1,870,643	1,885,717	1,317,201
Interbank borrowings		23,310	47,650	74,792	109,843
Borrowings from development and other domestic banks		123,686	252,842	344,900	274,484
Overnight funds		46,032	94,099	166,129	131,127
Long-term debt		176,194	360,182	281,803	169,435
Total interest expense		1,284,306	2,625,416	2,753,341	2,002,090
Net interest income		1,860,007	3,082,282	3,560,402	2,808,318
Provision for loan, accrued interest losses and other receivables, net	7	(644,667)	(1,317,846)	(1,263,405)	(707,865)
Recovery of charged-off loans		104,808	214,251	108,143	89,997
Provision for foreclosed assets and other assets		(48,154)	(98,437)	(46,297)	(60,531)
Recovery of provisions for foreclosed assets and other assets		23,803	48,658	68,392	81,364
Total net provisions		(564,210)	(1,153,374)	(1,133,167)	(597,035)
Net interest income after provisions for loans and accrued interest losses		1,295,797	2,648,908	2,427,235	2,211,283
Fees and other services income:					
Commissions from banking services		126,297	258,180	238,918	279,528
Electronic services and ATMs fees		28,834	58,944	86,070	80,711

Branch network services	54,219	110,837	104,010	104,601
Collections and payments fees	91,647	187,348	157,281	130,421
Credit card merchant fees	13,795	28,200	32,215	39,191
Credit and debit card annual fees	268,473	548,820	446,647	293,583
Checking fees	34,020	69,544	67,963	67,438
Fiduciary activities	84,266	172,259	98,799	69,200
Pension plan administration	47,293	96,678	87,826	82,453
Brokerage fees	22,486	45,966	54,742	62,493
Check remittance	12,627	25,812	26,148	22,762
International operations	22,911	46,836	47,962	43,643
Total fees and other service income	US$ 806,868	COP 1,649,424	COP 1,448,581	COP 1,276,024
Fees and other service expenses	(70,027)	(143,151)	(134,939)	(116,453)
Total fees and income from services, net	736,841	1,506,273	1,313,642	1,159,571
Other operating income:				
Foreign exchange gains (loss), net	(105,864)	(216,411)	113,584	27,584
Forward contracts in foreign currency	130,107	265,969	142,431	141,930
Gains (losses) on sales of investments on equity securities	286	584	92,125	(15,034)
Gains on sale of mortgage loans	26,310	53,784	41,080	50,377
Dividend income	11,762	24,045	39,586	18,968

BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended December 31, 2009, 2008 and 2007

(Stated in millions of Colombian pesos and thousands of U.S. Dollars, except per share data)

	Note	2009 (1) (Unaudited) U.S. Dollar	2009	2008	2007
Revenues from commercial subsidiaries		47,257	96,605	101,730	101,148
Insurance income		6	12	13,948	8,013
Communication, postage, rent and others		76,356	156,088	105,958	17,572
Total other operating income		186,220	380,676	650,442	350,558
Total operating income		2,218,858	4,535,857	4,391,319	3,721,412
Operating expenses:					
Salaries and employee benefits		506,275	1,034,942	928,997	835,150
Bonus plan payments		44,193	90,341	125,393	84,226
Compensation		9,649	19,725	23,539	23,463
Administrative and other expenses	27	693,730	1,418,145	1,268,982	1,070,845
Deposit security, net		36,311	74,228	52,151	49,113
Donation expenses		1,715	3,506	26,653	15,375
Depreciation	10, 11	90,512	185,027	141,133	122,835
Goodwill amortization		33,867	69,231	73,149	70,411
Total operating expenses		1,416,252	2,895,145	2,639,997	2,271,418
Net operating income		802,606	1,640,712	1,751,322	1,449,994
Non-operating income:					
Other income		97,230	198,761	172,550	93,294
Minority interest		(7,377)	(15,081)	(18,511)	(13,246)
Other expense		(51,623)	(105,529)	(140,662)	(81,236)
Total non-operating (expense) income	28	38,230	78,151	13,377	(1,188)
Income before income taxes		840,836	1,718,863	1,764,699	1,448,806
Income tax expense	21	(226,008)	(462,013)	(474,056)	(361,883)
Net income		US$ 614,828	COP 1,256,850	COP 1,290,643	COP 1,086,923
Earnings per share		US$ 0,78	COP 1,595	COP 1,638	COP 1,433

The accompanying notes, numbered 1 to 31, form an integral part of these Consolidated Financial Statements.

(1) See note 2 (c).

BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

Years ended December 31, 2009, 2008 and 2007

(Stated in millions of Colombian pesos and thousands of U.S. Dollars, except share data)

	Non Voting Preferred Shares		Voting Common Shares		Retained Earnings		Surplu Gro ga i ava
	Number	Par Value	Number	Par Value	Appro-Priated	Unappro-Priated	Reappraisal of assets
Balance at December 31, 2006	218,122,421	COP 121,422	509,704,584	COP 309,262	COP 2,313,607	COP 749,529	COP 140,693
Net income	-	-	-	-	-	1,086,923	-
Transfer to appropriated retained earnings	-	-	-	-	749,529	(749,529)	-
Issuance of preferred and common shares	59,999,998	30,000	-	-	897,612	-	-
Valuation of investments	-	-	-	-		-	178,953
Dividends declared	-	-	-	-	(403,164)	-	-
Other	-	-	-	-	(197,980)	-	-
Balance at December 31, 2007	278,122,419	151,422	509,704,584	309,262	3,359,604	1,086,923	319,646
Net income	-	-	-	-	-	1,290,643	-
Transfer to appropriated retained earnings	-	-	-	-	1,086,923	(1,086,923)	-
Valuation of investments	-	-	-	-	-	-	128,865
Dividends declared	-	-	-	-	(447,486)	-	-
Other	-	-	-	-	(24,020)	-	-
Balance at December 31, 2008	278,122,419	151,422	509,704,584	309,262	3,975,021	1,290,643	448,511
Net income	-	-	-	-	-	1,256,850	-
	-	-	-	-	1,290,643	(1,290,643)	-

Transfer to appropriated retained earnings								
Valuation of investments	-	-	-	-	-	-	133,866	
Dividends declared	-	-	-	-	(491,604)	-	-	
Other	-	-	-	-	(76,705)	-	-	
Balance at December 31, 2009	278,122,419	COP 151,422	509,704,584	COP 309,262	COP 4,697,355	COP 1,256,850	COP 582,377	C
Balance at December 31, 2009 (1) (Unaudited)		US$ 74,074		US$ 151,285	US$ 2,297,860	US$ 614,828	US$ 284,888	U

The accompanying notes, numbered 1 to 31, form an integral part of these Consolidated Financial Statements.

(1) See note 2 (c).

BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2009, 2008 and 2007

(Stated in millions of Colombian pesos and thousands of U.S. Dollars)

	2009 (1) (Unaudited)	2009	2008	2007
Cash flows from operating activities:				
Net income	US$ 614,828	COP 1,256,850	COP 1,290,643	COP 1,086,923
Adjustments to reconcile net income to net cash used by operating activities:				
Depreciation	118,507	242,255	193,151	122,835
Amortization	59,852	122,352	120,581	110,076
Minority interest	7,377	15,080	43,075	43,328
Provision for loan, accrued interest and accounts receivable losses	1,263,257	2,582,387	2,113,431	1,268,241
Provision for foreclosed assets	17,886	36,563	19,461	35,783
Provision for losses on investment securities and equity investments	21,714	44,388	7,379	7,313
Provision for property, plant and equipment	1,471	3,008	2,853	2,925
Provision for other assets	1,608	3,287	7,250	7,914
Provision for other liabilities	5,220	10,671	-	-
Reversal of provision for investments	(4,415)	(9,025)	(14,125)	(20,722)
Reversal of provision for loans and accounts receivable	(629,831)	(1,287,520)	(849,166)	(560,241)
Reversal of provision for foreclosed assets	(22,544)	(46,086)	(46,352)	(52,995)
Reversal of provision for other assets	(1,798)	(3,676)	(2,308)	(244)
Reversal of provision for property, plant and equipment	(985)	(2,014)	(6,468)	(7,537)
Realized and unrealized (gain) loss on derivative financial instruments	(117,905)	(241,024)	(129,689)	(117,653)
Valuation gain on investment securities	(354,187)	(724,040)	(624,860)	(355,190)
Foreclosed assets donation	-	-	7,321	10,708
Decrease in customers' acceptances and derivatives	146,162	298,788	54,958	79,225
Decrease (Increase) in accounts receivable	60,515	123,706	(302,521)	(344,052)
Decrease (Increase) in other assets	45,859	93,747	(669,543)	(1,336,181)
(Decrease) Increase in accounts payable	(10,445)	(21,353)	88,259	822,201
Increase in other liabilities	20,834	42,589	86,069	115,735
Decrease (Increase) in loans	755,347	1,544,102	(7,443,105)	(13,087,618)
Increase in deposits	863,371	1,764,929	6,010,250	11,157,682
(Decrease) Increase in estimated liabilities and allowances	(86,081)	(175,969		